95-1082

Supreme Court, U.S.
FILED
JAN 5 1996
CLERK

No. 95-

IN THE

Supreme Court of the United States

OCTOBER TERM, 1995

NIPPON CARBIDE INDUSTRIES CO., INC.,
Petitioner,

v.

MINNESOTA MINING & MANUFACTURING CO., INC.,
Respondent.

Petition for a Writ of Certiorari to the United States Court of Appeals for the Eighth Circuit

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

(1) Whether a court, in determining whether jurisdiction may be constitutionally asserted against a foreign defendant, must, in addition to finding "minimum contacts," perform a distinct reasonableness inquiry employing the factors set forth by *Burger King Corp. v. Rudzewicz*, 471 U.S. 462 (1985) and *Asahi Metal Industry Co., Ltd. v. Superior Court*, 480 U.S. 102 (1987).

(2) Whether the exercise of personal jurisdiction in this patent infringement and contract case violates the Due Process Clause of the Fourteenth Amendment to the United States Constitution when the only contact of the defendant with the forum state was for the purpose of a single contract negotiating session, the case is governed primarily by foreign law, and the activity alleged to create liability occurred entirely outside the United States.

PARTIES TO THE PROCEEDINGS

The parties to the proceedings in the United States Court of Appeals for the Eighth Circuit were petitioner Nippon Carbide Industries Co., Inc., ("NCI"), and respondent Minnesota Mining and Manufacturing Company ("3M"). No other party appeared in any proceeding below.

Pursuant to Supreme Court Rule 29.6, petitioner states that it has no parent companies, although approximately 35% of its stock is owned by companies affiliated with the Mitsubishi group of Japan. The following list names petitioner's subsidiaries (except wholly owned subsidiaries), as translated or transliterated into English:

DEC Research Center Inc.
Electro-Ceramics (Thailand) Co., Ltd.
Electronics Technology Incorporated
Hokuriku Ceramics Co., Ltd.
Kabushiki Kaisha Hokushoku
Kabushiki Kaisha Vinikkus Tokyo
Kuriekkus Kabushiki Kaisha
NCI Electronics Co., Ltd.
Nikka Kenzai Kabushiki Kaisha
P.T. Alviny, Indonesia
Ribarsaido Gorufu Kabushiki Kaisha
Shinwa Housing Kabushiki Kaisha
Techno-Integration Co., Inc.
Uozu Sangyo Kabushiki Kaisha
VINY Frame Co., Ltd.
Yuho Setsubi Kabushiki Kaisha

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PETITION FOR A WRIT OF CERTIORARI

Nippon Carbide Industries Co., Inc. ("NCI") respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Eighth Circuit in this case.

OPINIONS BELOW

The order of the Court of Appeals denying the petition for rehearing and suggestion for rehearing en banc is unreported and appears at page 9a of the appendix to this petition. The opinion of the Court of Appeals is reported at 63 F.3d 694 (8th Cir. 1995) and is reprinted at pages 1a to 8a of the appendix to this petition. The order of the trial court granting petitioner's motion to dismiss for lack of personal jurisdiction is unreported and appears at page 10a of the appendix to this petition.

JURISDICTION

The judgment of the Court of Appeals was entered on August 11, 1995. A petition for panel rehearing and a suggestion for rehearing *en banc* were both denied on October 11, 1995. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

CONSTITUTIONAL PROVISIONS INVOLVED

U.S. Const. Amend. XIV, § 1:

> All persons born or naturalized in the United States and subject to the jurisdiction thereof, are citizens of the United States and of the State wherein they reside. No State shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any State deprive any person of life, liberty, or property, without due process of law; nor deny to any person within its jurisdiction the equal protection of the laws.

STATEMENT OF THE CASE

This case presents an important issue of personal jurisdiction under the Due Process Clause of the 14th Amendment: whether, in exercising personal jurisdiction over a defendant, federal and state courts must make an independent determination that the exercise of personal jurisdiction is "reasonable" in addition to finding "minimum contacts." The lower federal and state courts are sharply divided on this question. Contrary to the decisions of several other circuits, the Eighth Circuit, as reflected in its decision in this case, holds that it is not required to make a separate reasonableness inquiry under the Due Process Clause.

1. The Underlying Dispute

Respondent 3M, through one of its employees, Joseph McGrath, developed a cellular retroreflective sheeting. App. 2a. That sheeting is primarily used on street signs to retroreflect light without distracting the driver. *Id.* 3M applied for and received a United States patent for the invention. *Id.* Furthermore, 3M

applied for and received similar patents from eleven foreign countries. *Id.* These patents have been referred to as the "McGrath patents" throughout the course of this dispute. *Id.*

In the late 1980s, 3M sued Seibu Polymer Chemical Industry Co., Ltd. ("Seibu") in France, Australia, Canada, the Republic of China, the United Kingdom and the United States, alleging an infringement of the McGrath patents by a Seibu retroreflective product known as Ultralite Grade (ULG).[1] App. 2a. In 1991 petitioner NCI acquired the reflective sheeting assets of Seibu. *Id.* NCI is a Japanese company, not affiliated with Seibu, having its headquarters in Tokyo. NCI does not do business in Minnesota, the forum state in this controversy. *Id.*

Following the acquisition, 3M notified NCI of the ongoing dispute over the patents. App. 2a. 3M and NCI held a series of settlement meetings to resolve the dispute. *Id.* Two meetings were held in Tokyo and one each in Honolulu and Los Angeles. *Id.* One meeting was held in St. Paul, Minnesota, the forum state. *Id.* An agreement was eventually reached in 1992. The contract was signed by NCI in Tokyo and by 3M in St. Paul in April, 1992. App. 3a.

By the terms of the agreement, NCI agreed not to make, use or sell retroreflective sheeting covered by the McGrath patents in any of the twelve countries in which 3M had an unexpired McGrath patent. App. 3a n.2. NCI also specifically agreed not to make, use or sell ULG Sheeting. *Id.* 3M agreed to drop its then-pending litigation claims against NCI. *Id.*

Following the execution of the agreement, NCI developed a new retroreflective sheeting product called Nikkalite Ultralite Special Grade Sheeting ("ULS"), which it believed was not covered by the McGrath patents. App. 3a. NCI recognized that 3M might claim that ULS was covered by the prior agreement

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[1] 3M also sued another company, Seibulite International, Inc. in the original ULG dispute.

and contacted 3M in September 1992 to discuss whether or not ULS fell under the terms of that agreement. *Id.*

2. The District Court's Decision

Following a breakdown in negotiations, 3M filed suit against NCI in the United States District Court for the District of Minnesota, invoking alienage jurisdiction under 28 U.S.C. § 1332(a)(2). App. 3a-4a. 3M claimed in Count I of the complaint that NCI breached the 1992 settlement agreement by continuing to make and sell ULG sheeting "throughout the world, including at least in the countries of France, Italy, and Germany where 3M owns unexpired equivalents to the McGrath Patent." Complaint (3/7/1994) at 4. NCI disputes the validity of the McGrath patents under those countries' patent laws. *See* NCI's Memorandum In Support Of Its Motion To Dismiss (7/15/94) at 16. Moreover, NCI has maintained that the parties orally agreed that NCI would be allowed to dispose of its excess ULG sheeting. App. 3a.

Count II alleged that NCI had violated the contract by committing patent infringement by making, using and selling the new product, ULS sheeting, "throughout the world, including at least in the countries of France, Germany, and Japan." Complaint at 5. 3M claimed to have unexpired McGrath patents in France, Germany, and Japan and that the ULS product is Covered Retroreflective Sheeting within the meaning of the April 1992 agreement. *Id.* NCI has maintained that the accused sheeting is not covered by the McGrath patents in France, Germany, Italy, and Japan and that 3M's McGrath patents are not valid under the various countries' patent laws. *See* NCI's Memorandum In Support Of Its Motion To Dismiss (7/15/94) at 16.

3M did not allege, in either Count, that NCI has done anything in the forum state or elsewhere in the United States in breach of the agreement or in violation of United States patent laws.[2]

The district court granted NCI's motion to dismiss for lack of personal jurisdiction on the ground that the "assertion of personal jurisdiction under these circumstances would offend due process." (8/12/94 Tr. at 30). The court characterized the underlying controversy as a "global and an international dispute" and as "involving nations all over the earth." (Tr. 31-32). The court noted that NCI did not "attempt to transact business or gain any benefit in [Minnesota]." (Tr. 32). The court concluded that "the nature and the quality of NCI's contacts with Minnesota [were] insufficient to support the exercise of personal jurisdiction." (Tr. 33).

In accordance with established Eighth Circuit precedent, the district court also briefly discussed two "secondary" jurisdictional considerations: the convenience to the parties and the interests of Minnesota. The district court determined that Minnesota maintained an interest in adjudicating the dispute by virtue of the residence of plaintiff 3M. The district court concluded, however, that the predominance of foreign law in this case equally balanced that interest. (Tr. 34). As to the convenience factor, the court determined that NCI's inconvenience with having to litigate in Minnesota was balanced equally by 3M's potential inconvenience with having to litigate overseas. (Tr. 34-35).

3. The Eighth Circuit's Decision

On 3M's appeal, the Eighth Circuit reversed. Following its firmly-established formulation as stated in *Bell Paper Box, Inc. v. U.S. Kids, Inc.*, 22 F.3d 816, 819 (8th Cir. 1994) and *Thompson v. Ecological Science Corp.*, 421 F.2d 467, 469 (8th Cir. 1970), the Eighth Circuit applied a five-factor test to determine whether

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[2] *See* Aff. of Roger R. Tamte (3M Legal Counsel) ¶ 17, at 6.

the assertion of jurisdiction comported with the requirements of the Fourteenth Amendment. App. 5a-6a. The court focused on the first three factors, which constitute a "minimum contacts" analysis: (1) the nature and quality of the contacts with the forum state; (2) the quantity of those contacts; and (3) the relation of the cause of action to the contacts. The panel concluded that NCI had "purposefully availed itself of the privilege of conducting activities within the forum and has made a contract in that forum." App. 8a.

The court, having determined that minimum contacts existed, did not conduct a separate reasonableness inquiry under this Court's decisions in *Burger King Corp. v. Rudzewicz*, 471 U.S. 462 (1985), and *Asahi Metal Industry Co., Ltd. v. Superior Court*, 480 U.S. 102 (1987). In those cases this Court concluded that a separate reasonableness inquiry was required and articulated the factors to be considered. *Asahi* found an exercise of jurisdiction to be unreasonable even though minimum contacts were present. Contrary to the requirement of *Asahi* and *Burger King*, the Eighth Circuit failed to consider "the interstate judicial system's interest in obtaining the most efficient resolution of controversies" and the "shared interest of the several States in furthering fundamental substantive social policies." *Id.* at 113. The court below failed to recognize that these two factors are especially pertinent where an alien defendant and a foreign dispute are involved.

The Eighth Circuit also found it "unnecessary to discuss," App. 8a, the last two factors of the Eighth Circuit's own standard jurisdictional analysis, the "interest of the forum state in the litigation and the convenience or inconvenience to the parties," stating they are only "secondary" despite this court's holding in *Burger King* and *Asahi* that they are pertinent. App. 5a-6a. The court below stated that it agreed with the district court that these two factors were "evenly balanced." App. 8a. The court, however, indicated that these two factors might become "relevant" on remand on the question of *forum non conveniens*. *Id.*

REASONS FOR GRANTING THE WRIT

By failing to separately determine whether it was "reasonable" to assert jurisdiction against NCI, the court of appeals' decision directly conflicts with the decisions of this Court, and with other courts of appeals. This conflict in this important area of personal jurisdiction is significant and merits this Court's review.

I. THE DECISION BELOW CONFLICTS WITH *BURGER KING* AND *ASAHI* BY REFUSING TO CONDUCT A SEPARATE REASONABLENESS ANALYSIS.

A. This Court's Decisions in *Burger King* and *Asahi* Require A Separate Reasonableness Inquiry Even Where Minimum Contacts Have Been Established.

Before a state court or a federal court sitting in diversity can assert personal jurisdiction over a defendant, it must determine whether the assertion of that jurisdiction comports with the requirements of the Due Process Clause of the 14th Amendment.

The starting point is this Court's decision in *International Shoe Co. v. Washington*, 326 U.S. 310, 316 (1945), which announced that the requirement of due process is satisfied if a defendant possesses "certain minimum contacts with [the forum] such that the maintenance of the suit does not offend 'traditional notions of fair play and substantial justice.'" (quoting *Milliken v. Meyer*, 311 U.S. 457, 463 (1940)). Whether a court must perform a distinct two-part test when assessing personal jurisdiction, including a separate reasonableness inquiry that could potentially trump the minimum contacts determination, has been a question since *International Shoe*.[3]

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[3] *Compare Lesnick v. Hollingsworth & Vose Co.*, 35 F.3d 939, 945 (4th Cir. 1994) (asserting that *International Shoe* stated a two-pronged test consisting of a minimum contacts and a fairness analysis that was "further articulated" by later Supreme Court cases), *cert. denied*, 115 S. Ct. 1103 (1995), *with* Earl M. Maltz, *Unraveling The Conundrum of the Law of Personal Jurisdiction: A Comment on Asahi Metal Industry Co. v. Superior Court of California*, 1987 Duke L.J. 669, 680 (stating that

Before this Court's decision in *Burger King Corp. v. Rudzewicz*, 471 U.S. 462 (1985), the personal jurisdiction cases in this Court focused on the specific conduct by the defendant directed toward the forum and not on reasonableness issues. *See, e.g., Hanson v. Denckla*, 357 U.S. 235 (1958). Indeed, this Court's decision in *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286 (1980), was read as implying that "minimum contacts" was the only relevant analysis: "[a]s has long been settled, and as we reaffirm today, a state court may exercise personal jurisdiction over a nonresident defendant only so long as there exist 'minimum contacts' between the defendant and the forum State." *Id.* at 291; *see also Keeton v. Hustler*, 465 U.S. 770, 778 (1984) (potential "unfairness" of applying forum law "has nothing to do with the jurisdiction of the court to adjudicate the claims").

This Court signalled a transformation of doctrine in *Burger King*. In *Burger King*, this Court began by acknowledging that the "constitutional touchstone remains whether the defendant purposefully established 'minimum contacts' in the forum State." 471 U.S. at 474. The Court, however, continued that "[o]nce it has been decided that a defendant purposefully established minimum contacts within the forum State, these contacts may be considered in light of other factors to determine whether the assertion of personal jurisdiction would comport with 'fair play and substantial justice.'" *Id.* at 476. A defendant found to have purposefully directed activities to the forum could show that jurisdiction was still unreasonable by presenting "a compelling case." *Id.* at 477.

While the Court plainly contemplated two separate inquiries, uncertainty remained in view of the Court's determination that the minimum contacts could "be considered in light of" the additional reasonableness factors.

Asahi fundamentally shifted the role of minimum contacts from a sufficient jurisdictional condition to merely a necessary condition subject to the separate reasonableness analysis).

This Court reaffirmed that a separate reasonableness inquiry was required in *Asahi Metal Ind. Co. v. Superior Court*, 480 U.S. 102 (1987), which, like the current case, involved an alien defendant and an international dispute. In *Asahi*, a Taiwanese company, which had been sued in a products liability case in a California state court, cross-claimed for indemnity against a Japanese manufacturer, Asahi Metal Industry Co., Ltd. Asahi argued that the California court could not assert personal jurisdiction over it.

This Court unanimously agreed, issuing three separate opinions. Part II-B of the Court's opinion, joined by eight Justices, determined that the exercise of jurisdiction would be unreasonable based upon the following factors:

> [1] the burden on the defendant, [2] the interests of the forum State, [3] the plaintiff's interest in obtaining relief, . . . [4] "the interstate judicial systems's interest in obtaining the most efficient resolution of controversies," and [5] the "shared interest of the several States in furthering fundamental substantive social policies."

Id. at 113 (quoting *World-Wide Volkswagen*, 444 U.S. at 292); *Burger King*, 471 U.S. at 477.

Specifically, the Court determined that where a foreign defendant is involved, a court must give "significant weight" to "the unique burdens placed upon one who must defend oneself in a foreign legal system." *Id.* at 114. The Court found that the foreign plaintiff and the forum state of California had minimal interests in resolving the case in California. The Court emphasized that courts must consider the "procedural and substantive policies of other *nations* whose interests are affected by the assertion of jurisdiction by the [forum] court" when an alien defendant is involved. *Id.* at 115. Considering all of these factors, the Court concluded that the assertion of jurisdiction would be unreasonable.

Four Justices concluded that jurisdiction was unreasonable even though they found that the minimum contacts requirement

had been satisfied. *See id.* at 116 (Brennan, J., joined by White, Marshall and Blackmun, JJ., concurring in part and concurring in the judgment). A fifth Justice concluded that it was not even necessary to reach the minimum contacts analysis once unreasonableness was found. *Id.* at 121-22 (Stevens, J., joined by White and Blackmun, JJ., concurring in part and concurring in the judgment).[4] Thus, though *Asahi* produced three separate opinions, a majority of the Court agreed not only that a separate reasonableness inquiry using the five factors from *Burger King* must be performed, but also that this separate requirement can lead to a rejection of jurisdiction even where minimum contacts are present.

The Eighth Circuit's decision in this case directly conflicts with *Burger King* and *Asahi*. In accordance with established Eighth Circuit precedent[5] the court of appeals conducted its own five-factor test on the question of jurisdiction beginning with "(1) the nature and quality of the contacts, (2) the quantity of the contacts, and (3) the relation of the cause of action to the contacts." App. 5a. The final two factors, deemed "secondary" were "[4] the interest of the forum state in the litigation and [5] the convenience or inconvenience to the parties." App. 5a-6a.

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[4] Four Justices, including three who concluded that jurisdiction was unreasonable, concluded that minimum contacts were not present. 480 U.S. at 109-16 (Opinion of O'Connor, J., joined by Rehnquist, C.J. and Powell and Scalia, JJ.).

[5] The five-factor test in the Eighth Circuit is deeply entrenched and traces back to caselaw predating the 1985 decision in *Burger King*. *See, e.g.*, *Land-O-Nod Co. v. Bassett Furniture Indus.*, 708 F.2d 1338, 1340 (8th Cir. 1983); *Aaron Ferer & Sons Co. v. Diversified Metals Corp.*, 564 F.2d 1211, 1215 (8th Cir. 1977); *Aftanase v. Economy Baler Co.*, 343 F.2d 187, 197 (8th Cir. 1965). The Eighth Circuit has continued to follow it without change after *Asahi*. The labeling of the final two factors as "secondary" traces back at least to *Thompson v. Ecological Science Corp.*, 421 F.2d 467, 469 (8th Cir. 1970).

The analysis under the first three factors is essentially the traditional minimum contacts analysis, leading to the court's conclusion based on those factors that NCI had "purposefully availed itself of the privilege of conducting activities" within Minnesota. App. 8a. Importantly, while the panel specifically mentioned and cited *Burger King*, it did not conduct a separate reasonableness inquiry. App. 5a.

As a result, the court did not consider at all the final two *Asahi* factors, "the interstate judicial system's interest in obtaining the most efficient resolution of controversies," and the "shared interest of the several States in furthering fundamental substantive social policies," which *Asahi* held merited "careful inquiry" in international cases. 480 U.S. at 115. The final two factors in the Eighth Circuit's test, which appear to be similar to the first three factors in *Asahi*, were deemed "secondary" and were not even discussed by the court of appeals. The court of appeals summarily agreed with the district court that these secondary factors were evenly balanced and would be relevant on remand, but only for a *forum non conveniens* analysis. By labelling its final two factors as "secondary," the Eighth Circuit apparently concluded that, once there has been a finding of minimum contacts, a defendant cannot establish unreasonableness of jurisdiction, much less secure the "careful inquiry" that *Asahi* mandates.

In *Falkirk Mining Co. v. Japan Steel Works, Ltd.*, 906 F.2d 369, 376 (8th Cir. 1990), the Eighth Circuit appeared to recognize that its five-part test did not consider all of the *Burger King* reasonableness factors when it noted that the final two *Asahi* factors are "not embodied" in that test. A later Eighth Circuit decision, *Barone v. Rich Bros. Interstate Display Fireworks*, 25 F.3d 610 (8th Cir.), *cert. denied sub nom. Hosoya Fireworks Co. v. Barone*, 115 S. Ct. 359 (1994), dismissed *Asahi* as a case that stands for no more than that a dispute between two foreign companies should not be adjudicated in the United States absent the defendant's consent rather than as setting forth a definitive reasonableness test for all jurisdictional questions. *Barone*, 25 F.3d at 614.

Other Eighth Circuit cases, including the current case, confirm that the Eighth Circuit does not interpret *Burger King* and *Asahi* as requiring a separate reasonableness inquiry. *See, e.g., Northrup King v. Compania Productora Semillas Algodoneras Selectas, S.A.*, 51 F.3d 1383, 1387-88 (8th Cir. 1995) (applying five-factor test in case involving Spanish corporate defendant); *Bell Paper Box, Inc. v. U.S. Kids, Inc.*, 22 F.3d 816, 819 (8th Cir. 1994); *Gould v. P.T. Krakatau Steel*, 957 F.2d 573, 576 (8th Cir. 1992) (applying the five-factor test to a case involving an Indonesian corporate defendant), *cert. denied*, 113 S. Ct. 304 (1992).

The decision below directly conflicts with *Burger King* and *Asahi*, and warrants review by this Court.

B. The Exercise Of Jurisdiction In This Case Is Clearly Unreasonable Under The Appropriate Reasonableness Inquiry.

The five reasonableness factors established by *Burger King* and *Asahi*, which the court of appeals should have examined are: "[1] the burden on the defendant, [2] the interests of the forum State, and [3] the plaintiff's interest in obtaining relief[,] . . . [4] 'the interstate judicial system's interest in obtaining the most efficient resolution of controversies, and [5] the shared interest of the several States in furthering fundamental substantive social policies.'" *Asahi*, 480 U.S. at 113 (quoting *World-Wide Volkswagen*, 444 U.S. at 292). Under these factors, the exercise of personal jurisdiction in this case would clearly have been unreasonable.

1. Burden on the defendant

Asahi, like the current case, concerned an alien defendant and an underlying dispute concerning activity solely in foreign countries. The Court noted, under the first factor, that the "unique burdens placed upon one who must defend oneself in a foreign legal system should have significant weight in assessing the reasonableness of stretching the long arm of personal jurisdiction over national borders." 480 U.S. at 114. As the

court of appeals found here, NCI is a Japanese company with its principal place of business in Japan. It does not have an office, a mailing address and is not licensed to do, and does not do, business in the state of Minnesota. It has no employees working in Minnesota nor does in own property or a bank account in Minnesota. App. 4a. As in *Asahi*, the burden on NCI would be severe.

2. Interests of the forum state

The interests of Minnesota in this case are insignificant. While 3M is a Minnesota company which signed the agreement at its corporate office, the essence of this dispute has nothing to do with Minnesota. The negotiations of the contract occurred primarily outside Minnesota. 3M has not alleged that NCI has done anything to breach the agreement in the United States. The complaint challenges conduct in France, Germany, Italy, and Japan and makes no mention of Minnesota. While the court below suggested Minnesota law may govern the contract despite the lack of a choice of law provision, the court acknowledged that this case focuses on the validity and scope of foreign patents applied to foreign activities, raising "the complexity of foreign nations' patent laws." App. 6a.

3. Plaintiff's interest in obtaining relief

While 3M has an interest in obtaining relief, as does every plaintiff in every case, 3M's interest in a domestic forum is minimal in this dispute. 3M itself obtained the foreign patents that are in dispute in this case. 3M has no interest, other than its own convenience, in enforcing those patents in the United States as opposed to the foreign countries in which it obtained them. Moreover, 3M has shown its ability to enforce its foreign patents overseas. App. 2a. (3M sued Seibu in France, Australia,

Canada, China and the United Kingdom as well as the United States.).[6]

4 & 5. Interstate judicial system's interest in obtaining the most efficient resolution of controversies and

Shared interest of the several States in furthering fundamental substantive social policies

With respect to the final two reasonableness factors, the *Asahi* Court held that these factors carry unique significance in international disputes:

> *World-Wide Volkswagen* also admonished courts to take into consideration the interests of the "several States," . . . in the efficient judicial resolution of the dispute and the advancement of substantive policies. In [*Asahi*], this advice calls for a court to consider the procedural and substantive policies of other *nations* whose interests are affected by the assertion of jurisdiction by the [forum] court. . . . In every case . . . those interests, as well as the Federal Government's interest in its foreign relations policies, will be best served by a careful inquiry into the reasonableness of the assertion of jurisdiction in the particular case, and an unwillingness to find the serious burdens on an alien defendant outweighed by minimal interests on the part of the plaintiff or the forum State.

480 U.S. at 115 (citation omitted).

There is no question that the underlying dispute in this case is foreign and implicates primarily the substantive policies of foreign nations. First, under both counts of the complaint, NCI argued and the district court agreed, that the validity of the four foreign

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[6] *Cf.* 1 Robert C. Casad, *Jurisdiction in Civil Actions* §2.04[2][e], at 2-79 (1991) (This Court has indicated "that the due process clause limitation on state court jurisdiction is directed primarily at protecting the defendant.").

patents implicated by the complaint, issued by France, Germany, Italy and Japan, will be at issue. *See* NCI memorandum in support of Motion to Dismiss at 16; NCI's Eighth Cir. Reply Br. at 23-24; *see also* Tr. 33 (determination of whether the agreement was breached "resolves and evolves into a consideration of the validity of the foreign as opposed to the United States patent."). Obviously patent validity and questions of when and under what circumstances a patent's validity may be challenged directly implicate substantive legal policies of foreign countries.

Second, even aside from the validity question, 3M's complaint on its face alleged patent infringement activity constituting a breach of the agreement through conduct occurring in foreign countries only. The adjudicating court, to decide the ULS dispute, will have to construe the foreign patent and then decide whether the ULS product is infringing. The question of whether the McGrath patents were infringed in the foreign countries is a question of foreign law.[7] *See, e.g., Stein Assocs. v. Heat & Control, Inc.*, 748 F.2d 653, 658 (Fed. Cir. 1984) ("Only a British Court, applying British law, can determine the validity and infringement of British patents.").

This case directly affects the substantive policies of foreign nations. It involves patents issued to 3M by foreign governments to regulate activities within their borders. The case necessarily involves evaluating the force of those foreign patents to cover the challenged foreign activities of NCI. Plainly, this is a case where "the procedural and substantive policies of other *nations*" may be "affected by the assertion of jurisdiction by the [forum] court." The effects of those policies should have been considered as part of a reasonableness inquiry. Yet this is exactly what the Eighth Circuit, following its established minimum contacts analysis, failed to do.

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[7] The "issue of whether the sale of new ULS sheeting breaches the Agreement is a question of patent infringement." 3M's Eighth Cir. Opening Br. at 10.

Given the overwhelming foreign nature of this dispute, the effects that the resolution of this case could have on foreign substantive patent policies, the potential interference with foreign governments' control over activities within their borders, the unique burden on the alien defendant in this case, the insignificant interest of Minnesota in this dispute, and 3M's minimal interest in resolving its foreign patent disputes in the United States, under the *Burger King* and *Asahi* test the exercise of jurisdiction in the current case is unreasonable.

II. THE COURT SHOULD GRANT CERTIORARI TO RESOLVE A CONFLICT AMONG THE LOWER FEDERAL AND STATE COURTS AS TO THE INTERPRETATION OF *BURGER KING* AND *ASAHI*.

Certiorari also should be granted to resolve a conflict in the courts of appeals and state courts as to the meaning of *Asahi*. According to two prominent commentators, "[b]ecause the three separate opinions in the case disagreed as to whether minimum contacts had been established and why . . . the relationship of the four factors[*] to the minimum contacts test remains unclear." 4 Charles A. Wright and Arthur R. Miller, *Federal Practice and Procedure* § 1073, at 451 (1987). This lack of clarity has led to a sharp conflict in the courts of appeals and state courts as to whether a separate reasonableness inquiry is required using the factors enumerated by this Court in *Burger King* and *Asahi*. *See* Mona A. Lee, *Burger King's Bifurcated Test For Personal Jurisdiction*, 66 Temp. L. Rev. 945, 953-63 (1993) (describing commentator's view of circuit approaches).

The majority of the courts of appeals — the Second, Third, Fourth, Fifth, Tenth, Eleventh and District of Columbia Circuits

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[8] Wright and Miller refer to "four factors" because they do not include "the burden on the defendant" as a reasonableness factor. 4 *Federal Practice and Procedure* § 1073 at 449-50. It is plain, however, both from *Burger King* and especially from the analysis in *Asahi* that the "burden on the defendant" is now considered by this Court to be one of the five reasonableness factors.

— interpret *Burger King* and *Asahi* as requiring a distinctive two-step analysis. Those circuits first resolve whether or not minimum contacts exist. They then apply the reasonableness factors to determine whether the exercise of jurisdiction comports with notions of fair play and substantial justice. *See, e.g., A.I. Trade Finance, Inc. v. Petra Bank*, 989 F.2d 76, 83 (2d Cir. 1993) ("[o]nce minimum contacts have been established, the reasonableness of the exercise of jurisdiction must be determined by an evaluation of several factors"); *Grand Entertainment Group, Ltd. v. Star Media Sales, Inc.*, 988 F.2d 476, 483 (3d Cir. 1993) (following assessment of minimum contacts, court "must still consider, however, whether the district court's exercise of jurisdiction over the Spanish defendants squares with notions of 'fair play and substantial justice'"); *Lesnick v. Hollingsworth & Vose Co.*, 35 F.3d 939, 945-46 (4th Cir. 1994) (court employs separate reasonableness inquiry using five factors from *Burger King* and *Asahi*), *cert. denied*, 115 S. Ct. 1103 (1995); *Gulf Consol. Services v. Corinth Pipeworks, S.A.*, 898 F.2d 1071, 1074 (5th Cir.) (two-part inquiry), *cert. denied*, 498 U.S. 900 (1990); *Equifax Services, Inc. v. Hitz*, 905 F.2d 1355, 1359-60 (10th Cir. 1990) (same); *Vermeulen v. Renault, U.S.A., Inc.*, 985 F.2d 1534, 1551 (11th Cir. 1993) (noting that minimum contacts can be trumped by reasonableness analysis), *cert. denied sub nom. Regie Nationale Des Usines Renault S.A. v. Vermeulen*, 113 S. Ct. 2334 (1993); *Koteen v. Bermuda Cablevision, Ltd.*, 913 F.2d 973, 975 (D.C. Cir. 1990) (plaintiff must establish defendant's minimum contacts and jurisdiction "must also comport with 'traditional notions of fair play and substantial justice'").

In stark contrast to this majority of circuits, the Eighth Circuit, as discussed in detail above, does not interpret *Burger King* and *Asahi* to require a separate inquiry into whether jurisdiction is reasonable, even where foreign defendants are involved. *See, e.g., Northrup King v. Compania Productora Semillas*, 51 F.3d at 1387-88; *Gould v. P.T. Krakatau Steel*, 957 F.2d at 576.

The Eighth Circuit's approach is also followed by a number of state courts which have employed the Eighth Circuit's five-factor inquiry to jurisdictional questions and not conducted separate

reasonableness inquiries. *See, e.g., National City Bank of Minneapolis v. Ceresota Mill Ltd. Partnership*, 488 N.W.2d 248, 252-53 (Minn. 1992); *Douglas Mach. & Eng'g Co. v. Hyflow Blanking Press Corp.*, 229 N.W.2d 784, 789 (Iowa 1975); *Zerbel v. H.L. Federman & Co.*, 179 N.W.2d 872, 878-79 (Wisc. 1970), *appeal dismissed*, 402 U.S. 902 (1971); *Lee v. Goshen Rubber Co., Inc.*, 635 N.E.2d 214, 216 (Ind. Ct. App. 1994); *Capps v. Roll Service, Inc.*, 787 S.W.2d 694, 697 (Ark. Ct. App. 1990); *Watson v. Graf Bae Farm, Inc.*, 392 S.E.2d 651, 652-53 (N.C. Ct. App. 1990); *Bic, Inc., Safemark Div. v. Schleisman*, 443 N.W.2d 78, 80 (Iowa Ct. App. 1989).

There is yet a third approach taken in the First, Ninth, and Sixth Circuits. This approach does involve a reasonableness inquiry but the inquiry is not distinct from the minimum contacts analysis.

In the First Circuit, a court must initially examine whether there was purposeful availment and whether or not the cause of action is related to the defendant's forum activities. This is essentially a minimum contacts analysis. The First Circuit then turns to the *Burger King/Asahi* reasonableness factors, which it has labeled "gestalt factors." *Ticketmaster—New York, Inc. v. Alioto*, 26 F.3d 201, 209 (1st Cir. 1994). In essence, the First Circuit follows a "sliding scale" approach whereby "the weaker the plaintiff's showing on the first two prongs (relatedness and purposeful availment), the less a defendant need show in terms of unreasonableness to defeat jurisdiction." *Id.* at 210.

The Ninth Circuit has also adopted a "sliding-scale" type approach. *Core-Vent Corp. v. Nobel Industries AB*, 11 F.3d 1482, 1485 (9th Cir. 1993). The Ninth Circuit assesses minimum contacts, like the First Circuit, considering purposeful availment by the defendant and the relatedness of the cause of action to the defendant's forum activities.

The Ninth Circuit's reasonableness inquiry consists of seven different factors, which all must be balanced. *Roth v. Garcia*

Marquez, 942 F.2d 617, 623-25 (9th Cir. 1991). Those seven factors are:

> (1) the extent of the defendants' purposeful interjection into the forum state's affairs; (2) the burden on the defendant of defending in the forum; (3) the extent of conflict with the sovereignty of the defendants' state; (4) the forum state's interest in adjudicating the dispute; (5) the most efficient judicial resolution of the controversy; (6) the importance of the forum to the plaintiff's interest in convenient and effective relief; and (7) the existence of an alternative forum.

Core-Vent Corp.. 11 F.3d at 1487-88. As in the First Circuit, a strong showing of minimum contacts will increase the defendant's burden of unreasonableness. *See id.* at 1488 ("sliding scale").

In the Sixth Circuit, a plaintiff must initially show that a defendant has purposefully availed itself of forum privileges and that the cause of action has arisen from the defendant's forum activities. *Theunissen v. Matthews*, 935 F.2d 1454, 1460 (6th Cir. 1991). Next, "the acts of the defendant or consequences caused by the defendant must have a substantial enough connection with the forum state to make the exercise of jurisdiction over the defendant reasonable." *LAK, Inc. v. Deer Creek Enterprises*, 885 F.2d 1293, 1299 (6th Cir. 1989), *cert. denied*, 494 U.S. 1059 (1990) (quotation and citation omitted). The Sixth Circuit has indicated, especially where a foreign defendant is involved, that the *Asahi* factors must be examined. *Theunissen*, 935 F.2d at 1461. The court has determined, however, that it will infer the reasonableness of exercising jurisdiction if a minimum contacts showing is made. *Id.* at 1461 (holding that an "inference of reasonableness arises where the first two criteria are met").

The Seventh Circuit's precedent is in disarray. Some panels have recognized that a separate reasonableness inquiry must be conducted. *See, e.g., Diamond Mortg. Corp. of Illinois v. Sugar*, 913 F.2d 1233, 1247 (7th Cir. 1990), *cert. denied*, 498 U.S.

1089 (1991).[9] In fact, one case appeared to hold that the reasonableness inquiry was the only relevant analysis.[10]

Other panels, however, have not conducted a reasonableness inquiry at all. For example, *FMC Corp. v. Varonos*, 892 F.2d 1308 (7th Cir. 1990), involved the question of whether jurisdiction could be asserted against an alien defendant. The court examined the minimum contacts issue but, though it cited *Burger King*, failed to examine the reasonableness factors. *Id.* at 1313-15. The analysis in other recent cases also suggests that minimum contacts is the only relevant inquiry in the Seventh Circuit. *Nucor Corp. v. Aceros Y Maquilas De Occidente, S.A.*, 28 F.3d 572, 579-81 (7th Cir. 1994); *Wilson v. Humphreys (Cayman) Ltd.*, 916 F.2d 1239, 1243-44 (7th Cir. 1990) (citing *Asahi* and *Burger King* but examining minimum contacts only),

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[9] *Giotis v. Apollo of the Ozarks*, 800 F.2d 660, 668 (7th Cir. 1986), *cert. denied*, 479 U.S. 1092 (1987), acknowledged that the jurisdictional inquiry is a two-part test but the court failed to cite any of the reasonableness factors. An earlier panel indicated that once a court determines that minimum contacts are present, "it *may* also consider the relative convenience of litigating in that forum and the interests of the states involved." *Heritage House Restaurants v. Continental Funding Group*, 906 F.2d 276, 284 (7th Cir. 1990) (emphasis added). Though the court cited *Burger King*, it made no mention of the other reasonableness factors.

[10] In *Dehmlow v. Austin Fireworks*, the court stated that the reasonableness inquiry was "the only standard agreed upon by a majority of the Supreme Court Justices in the Court's most recent adjudication involving personal jurisdiction." 963 F.2d 941, 945 (7th Cir. 1992) (discussing *Asahi*). The court went on to hold that the "reasonableness of jurisdiction" not only rests on the *Asahi* factors "but also on the defendant's relation to the forum state." *Id.* at 946. Thus, in some sense, the minimum contacts portion of the analysis was subsumed into the reasonableness inquiry. The strange result in this case may be explained by the fact that it specifically raised the "stream of commerce" issue, which was the minimum contacts issue that divided the *Asahi* court.

cert. denied, 499 U.S. 947 (1991); *Daniel J. Hartwig Assocs., Inc. v. Kanner*, 913 F.2d 1213, 1220 (7th Cir. 1990) (finding purposeful availment but failing to mention reasonableness); *J. Walker & Sons v. DeMert & Dougherty, Inc.*, 821 F.2d 399, 404-05 (7th Cir. 1987).

In sum, this Court should grant certiorari to clarify the hopeless confusion in the courts of appeals and state courts as to whether a reasonableness inquiry must still be made even though a foreign defendant is found to have minimum contacts to the forum.

III. THE ISSUE IS IMPORTANT AND RECURRING.

While commentators have argued that *Burger King* and *Asahi* made an important change in personal jurisdiction jurisprudence *see, e.g.*, Russell J. Weintraub, *Asahi Sends Personal Jurisdiction Down the Tubes*, 23 Tex. Int'l L.J. 55 (1988); Earl M. Maltz, *Unraveling the Conundrum of the Law of Personal Jurisdiction: A Comment on Asahi Metal Industry Co. v. Superior Court of California*, 1987 Duke L.J. 669, the federal courts have not developed a consistent approach to the reasonableness inquiry. This is attributable to confusion regarding the proper interpretation of the three *Asahi* opinions. *See, e.g.*, 4 Wright and Miller, *Federal Practice and Procedure*, § 1073 at 451; *Dow Chemical Co. v. Castro Alfaro*, 786 S.W.2d 674, 700 (Tex. 1990) (Cook, J., dissenting) ("In *Asahi*, the fair play standard acquired—and perhaps eclipsed—the force of the minimum contacts standard"), *cert. denied*, 498 U.S. 1024 (1991); Howard B. Stravitz, *Sayonara to Minimum Contacts: Asahi Metal Industry Co. v. Superior Court*, 39 S.C. L. Rev. 729, 813 (1988) ("Despite its unanimous judgment, *Asahi* demonstrates that the Court lacks harmony in resolving jurisdictional issues under the due process clause.").

Personal jurisdiction is a prerequisite before a court may proceed to a valid judgment in any lawsuit in any state or federal court. No federal court sitting in diversity and no state court can exercise personal jurisdiction unless the constitutional restrictions

of the Fourteenth Amendment are met. The above catalog of cases from the federal and state courts illustrates the continuing importance and recurrence of these issues. The lack of a uniform approach to these issues hinders business planning as foreign-based enterprises are left uncertain as to whether they must avoid establishing minimum contacts with particular states to insure that jurisdiction is not unreasonably asserted over their strictly foreign activities. Moreover, the precise contours of the reasonableness inquiry and its relationship to the minimum contacts test will become increasingly important as the character of business in this country continues to change from national to international. A uniform approach in the lower federal and state courts is essential. Only this Court, by granting certiorari, can create the necessary uniformity.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

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January 5, 1996

UNITED STATES COURT OF APPEALS
FOR THE EIGHTH CIRCUIT

MINNESOTA MINING and
MANUFACTURING COMPANY,
a Delaware Corporation,

Appellant,

v.

NIPPON CARBIDE INDUSTRIES CO., INC.,
a Japanese Corporation,

Appellee.

No. 94-3284MN

Submitted May 18, 1995

Filed August 11, 1995

On Appeal from the United States District Court
for the District of Minnesota

Before RICHARD S. ARNOLD, Chief Judge, WOOD, Jr.,* Senior Circuit Judge, and FAGG, Circuit Judge.

RICHARD S. ARNOLD, Chief Judge.

The District Court dismissed a breach-of-contract action brought by Minnesota Mining & Manufacturing Co. (3M) against Nippon Carbide Industries Co., Inc. (NCI), after finding that NCI did not have the necessary minimum contacts with Minnesota to support personal jurisdiction. For reasons set forth below, we reverse and remand for proceedings consistent with this opinion.

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* The Hon. Harlington Wood, Jr., Senior United States Circuit Judge for the Seventh Circuit, sitting by designation.

I.

Minnesota Mining & Manufacturing Co., through the work of one of its employees, Dr. Joseph McGrath, invented cellular retroreflective sheeting. This sheeting is made up of cellular or encapsulated lenses which retroreflect light and illuminate signs without temporarily distracting a driver's sight. 3M applied for and received a United States patent, typically referred to as the McGrath Patent. In addition to the United States patent, 3M owns eleven foreign patents for the same invention.[1] Four of those eleven patents are involved in this case.

In the late 1980s, 3M sued Seibu Polymer Chemical Industry Co., Ltd., and Seibulite International, Inc., in France, Australia, Canada, the Republic of China, the United Kingdom, and the United States, alleging that Seibu produced and sold a retroreflective sheeting known as Ultralite Grade (ULG) which infringed upon the McGrath Patent. In trials before the United States International Trade Commission and the High Court of Justice in the United Kingdom, the McGrath patent was held to be valid and infringed. NCI then bought part of the Seibu product line, including the retroreflective sheeting assets. In 1991, 3M and NCI began a series of negotiations in an attempt to resolve 3M's claims of patent infringement.

During those discussions, NCI and 3M personnel conducted several meetings: one meeting in Minnesota, one in Los Angeles, one in Honolulu, and two in Tokyo. Also there were extensive phone calls, letters, and facsimiles between Japan and St. Paul, Minnesota, 3M's headquarters. Drafts of an agreement were sent back and forth between the two companies as they were reviewed and edited. When the language of the contract finally had been agreed upon, the contract was signed by NCI and then sent to 3M. The contract became effective and binding upon the parties

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[1] The foreign patents are from Australia, Austria, Canada, France, Germany, Italy, Japan, Sweden, Switzerland, Taiwan, and the United Kingdom. The Australian, Taiwanese, and United States patents have expired.

on the date 3M executed it in St. Paul, Minnesota, April 29, 1992.[2]

After entering into this agreement, NCI developed and began making and selling a retroreflective-sheeting product called Nikkalite Ultralite Special Grade Sheeting (ULS). Recognizing that this new sheeting related to the earlier settlement discussions between the parties, NCI contacted 3M in September of 1992 to discuss whether ULS fell within the terms of the April 1992 contract.

This second set of negotiations took place over a year and a half with at least eight meetings in St. Paul and three other meetings in Tokyo. Some testing of the ULS sheeting occurred in Minnesota in the joint presence of NCI and 3M scientists. Throughout this time, numerous phone calls, letters, and facsimiles were sent between the two companies' principal places of business. Also, 3M found out that NCI had continued selling its surplus of ULG after it had executed the agreement. NCI states that 3M knew and orally agreed that NCI could sell out its surplus inventory.

When it became clear that the negotiations were not going to

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[2] The pertinent parts of the agreement state: 1.1 "McGrath Patent" shall mean U.S. Patent No. 4,025,159 or any counterpart to that patent in another country. . . . . 1.3 "ULG Sheeting" shall mean any encapsulated-lens retroreflective sheeting which was manufactured by Seibu and marketed as Ultralite Grade retroreflective sheeting. 1.4 "Covered Retroreflective Sheeting" shall mean encapsulated-lens retroreflective sheeting which in the jurisdiction where it is made, used or sold is covered by an unexpired McGrath Patent. . . . . 2.1 NCI agrees that it will not make, use or sell Covered Retroreflective Sheeting, including ULG Sheeting, in any Patent Country as long as 3M owns an unexpired McGrath Patent in that country. . . . . 3.1 3M agrees to withdraw all litigation claims now being asserted against NCI with respect to the McGrath Patent, and further agrees that it will not seek from NCI any remedy for the acts of infringement alleged by 3M in the pending litigation or any recovery of costs or any other monetary recovery.

resolve 3M's and NCI's dispute about ULS and the surplus ULG, 3M filed this diversity action on March 7, 1994, against NCI. In Count I of the complaint, 3M claims that NCI breached the 1992 settlement agreement by continuing to make, use, or sell ULG sheeting in France, Italy, and Germany, where 3M owns unexpired equivalents to the McGrath Patent. Count II alleges that NCI has continued to make, use, or sell ULS, an encapsulated-lens retroreflective sheeting, in France, Germany, and Japan, where 3M has unexpired McGrath Patents. ULS, 3M alleges, is Covered Retroreflective Sheeting within the meaning of the agreement, so that by selling ULS, NCI has again violated the agreement.

NCI is a Japanese company with its principal place of business in Tokyo. NCI does not have an office or a mailing address in Minnesota and is not licensed to do business in the state. NCI does not have a bank account or any property in Minnesota. NCI does not have any employees working in Minnesota; NCI's employees have visited Minnesota only to meet with 3M during the negotiations we have described. 3M is a Delaware corporation, with its principal place of business in St. Paul, Minnesota. Each corporation operates internationally.

II.

To determine whether a court has personal jurisdiction over a nonresident defendant, we ask two questions: (1) whether the applicable state long-arm statute (Minn. Stat. § 543.19 (1988)) is satisfied; and (2) whether a court's exercise of jurisdiction is consistent with the Due Process Clause of the Fourteenth Amendment. *Northrup King Co. v. Compania Productora Semillas Algodoneras Selectas, S.A.*, 51 F.3d 1383, 1387 (8th Cir. 1995).

Minnesota has consistently held that its legislature intended the long-arm statute to have the maximum extraterritorial effect allowed under the Fourteenth Amendment. *Domtar, Inc., v. Niagara Fire Insurance Co.*, 518 N.W.2d 58, 60-61 (Minn.App. 1994), *aff'd*, 533 N.W.2d 25 (Minn. 1995). Because Minnesota has interpreted its long-arm statute to be coextensive with the

limits of due process, we turn to consider whether the assertion of jurisdiction over this defendant offends due process.

Under the Due Process Clause, jurisdiction over a nonresident is proper only if the defendant has such minimum contacts with the forum state that the maintenance of a suit does not offend traditional notions of fair play and substantial justice. *International Shoe Co. v. Washington,* 326 U.S. 310, 316, 66 S.Ct. 154, 158, 90 L.Ed. 95 (1945). Whether the minimum contacts are sufficient depends on whether the defendant, by some act, "purposefully avail[ed] itself of the privilege of conducting activities within the forum state, thus invoking the benefits and protection of its laws." *Burger King Corp. v. Rudzewicz,* 471 U.S. 462, 475, 105 S.Ct. 2174, 2183, 85 L.Ed.2d 528 (1985) (quoting *Hanson v. Denckla,* 357 U.S. 235, 253, 78 S.Ct. 1228, 1240, 2 L.Ed.2d 1283 (1958)). This test is met if a defendant has deliberately engaged in activities, such as having created continuing obligations, within a state, and such actions invoke the benefits and protection of a state's laws. *Id.* at 475-76, 105 S.Ct. at 2183. One of the essential foundations of personal jurisdiction exists when a controversy is related to or arises out of a defendant's contacts with the forum, and there is a relationship among the defendant, the forum, and the litigation. *Helicopteros Nacionales de Colombia, S.A. v. Hall,* 466 U.S. 408, 414 nn. 8 & 9, 104 S.Ct. 1868, 1872 nn. 8 & 9, 80 L.Ed.2d 404 (1984); *Shaffer v. Heitner,* 433 U.S. 186, 204, 97 S.Ct. 2569, 2579, 53 L.Ed.2d 683 (1977).

Once it has been decided that a defendant purposefully established contacts with a forum state, these contacts must be considered in light of other factors to determine whether the assertion of personal jurisdiction would agree with fair play and substantial justice. *International Shoe Co. v. Washington,* 326 U.S. at 320, 66 S.Ct. at 160. There are three primary factors which are to be considered: (1) the nature and quality of the contacts, (2) the quantity of the contacts, and (3) the relation of the cause of action to the contacts. *Bell Paper Box, Inc. v. U.S. Kids, Inc.,* 22 F.3d 816, 819 (8th Cir.1994). In addition to those considerations, there are two secondary factors as well: the

interest of the forum state in the litigation and the convenience or inconvenience to the parties. *Thompson v. Ecological Science Corp.*, 421 F.2d 467, 469 (8th Cir.1970). Because the first three factors are closely interrelated, we consider them together.

In 1991, 3M notified NCI that it had purchased a product line that was in the midst of several patent-infringement suits with 3M. NCI and 3M then entered into extensive negotiations to discuss a way to settle the disputes. Part of those negotiations took place in Minnesota. Although the initial contact was from 3M to NCI, NCI was not tricked into Minnesota by the actions of 3M. NCI came voluntarily to Minnesota with the business purpose of terminating on-going litigation. Following the meeting in Minnesota and several meetings elsewhere, NCI and 3M continued to communicate until they came to an agreement, which was finally executed in Minnesota. Under the agreement, both companies had continuing obligations to the other—NCI was not to sell any more encapsulated-lens sheeting, and 3M would not pursue its suits.

NCI argues that it did not enter the state to promote business in Minnesota, but solely to settle a foreign dispute involving NCI's foreign activities and 3M's foreign patents. Therefore, NCI asserts, even though 3M argues that this case is about a broken contract, the essence of the case is foreign, and the foreign nature of the action should lead this Court to conclude that personal jurisdiction is not proper. The central issue before this Court, however, is personal jurisdiction, not choice of law. *See Hanson v. Denckla*, 357 U.S. 235, 253, 78 S.Ct. 1228, 1239, 2 L.Ed.2d 1283 (1958). The question of the complexity of applying four nations' patent laws presents itself in the course of litigation only after jurisdiction over the defendant is established. Therefore, we must determine whether Minnesota has jurisdiction before we consider what law will be applied to this case. It often happens that a forum with jurisdiction must apply the law of another State or country.

Here, the defendant's activities in Minnesota were directed toward the consummation of the contract in dispute. NCI entered

Minnesota with the purpose of settling several lawsuits in several different countries. The outcome of NCI's negotiations with a Minnesota resident was a contract. It is that specific contract, the entire result of NCI's discussions with 3M, that is now at issue. By coming into the State of Minnesota and by negotiating a contract which could be enforced under the laws of Minnesota, NCI purposefully availed itself of the laws of the State. NCI argues that its contacts with Minnesota are insignificant because the essence of the dispute is foreign, but "[a]n ordinarily insignificant contact with a state becomes constitutionally significant when it gives rise to the claim involved in the lawsuit." *Thompson*, 421 F.2d at 470 (citations omitted). Here, the very suit is for breach of the contract that was made in Minnesota.

The contacts between 3M and NCI in Minnesota were significant. The result of those contacts was a contract which demanded on-going duties from both of the parties. The contract was made in Minnesota, and it is the law of Minnesota which will govern the contract. Although the mere making of a contract with a resident is not enough to confer jurisdiction, *see Burger King*, 471 U.S. at 475-76 n. 18, 105 S.Ct. at 2183-84 n. 18, much more occurred here. As the Supreme Court has noted, "even a single act can support jurisdiction," so long as it creates a substantial connection with the forum. *Ibid.*

NCI argues that the only reason it entered Minnesota was to reach a settlement agreement with 3M, and Minnesota has a policy of protecting those who attempt to settle disputes without litigation. NCI continues that if we find jurisdiction exists, then Minnesota will become a jurisdictional trap for those who enter solely to negotiate settlements. *See Tol-O-Matic v. Proma Produkt-Und Marketing Gesellschaft*, 690 F.Supp. 798 (D.Minn. 1987); *Conwed Corp. v. Nortene, S.A.*, 404 F.Supp. 497 (D.Minn. 1975).

The cases NCI relies on involved negotiations which did not result in a completed contract. Once the parties resolve their dispute, and embody that resolution in a contract with each other,

and that contract is executed in Minnesota, Minnesota cannot be considered a jurisdictional trap. By that point the defendant is no longer merely negotiating. Rather, the defendant has purposefully availed itself of the privilege of conducting activities within the forum and has made a contract in that forum. These contacts, which become the subject matter of a subsequent cause of action, may serve as the basis of jurisdiction.

It remains to consider the two secondary factors—the interest of Minnesota in having the case tried there and the convenience of the parties. The District Court took the view that these factors were evenly balanced and did not cut either way. We agree and therefore find it unnecessary to discuss the two secondary factors.

These factors may become relevant on remand, however. NCI's motion to dismiss was based on two grounds: lack of jurisdiction over the person and *forum non conveniens*. Because the District Court granted the motion to dismiss on the ground of lack of jurisdiction over NCI's person, it did not reach the question of *forum non conveniens*. On remand, it will be appropriate for NCI to renew its motion to dismiss on this latter ground, and for the District Court to consider it. The issue of *forum non conveniens* is addressed, in the first instance, to the sound discretion of the District Court.

The judgment is reversed, and the cause remanded for further proceedings consistent with this opinion.

UNITED STATES COURT OF APPEALS
FOR THE EIGHTH CIRCUIT

No. 94-3284MNMI

MINNESOTA MINING and
MANUFACTURING COMPANY,
a Delaware Corporation,

Appellant,

v.

NIPPON CARBIDE INDUSTRIES CO., INC.,
a Japanese Corporation,

Appellee.

Order Denying Petition for Rehearing and Suggestion for Rehearing En Banc

The suggestion for rehearing en banc is denied. The petition for rehearing by the panel is also denied.

October 11, 1995

Order Entered at the Direction of the Court:

/s/Michael E. Gans
Michael E. Gans
Clerk, U.S. Court of Appeals, Eighth Circuit

UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA
FOURTH DIVISION

4-94-CV-222

MINNESOTA MINING and
MANUFACTURING COMPANY, INC.

v.

NIPPON CARBIDE INDUSTRIES COMPANY, INC.,

ORDER

This matter is before the Court on defendant's motion to dismiss for lack of personal jurisdiction, pursuant to Rule 12(b)(2) of the Federal Rules of Civil Procedure. For the reasons set forth at the hearing, and based on the files, records, and proceedings herein, IT IS ORDERED that:

Defendant's motion is granted. This matter is dismissed with prejudice.

Dated: August 12, 1994

/s/ James M. Rosenbaum
JAMES M. ROSENBAUM
United States District Judge

Supreme Court, U. S.
FILED
FEB 5 1996
CLERK

No. 95-1082

In The

Supreme Court of the United States

October Term, 1995

NIPPON CARBIDE INDUSTRIES CO., INC.,

Petitioner,

v.

MINNESOTA MINING & MANUFACTURING CO., INC.,

Respondent.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Eighth Circuit

RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

1. Whether the Eighth Circuit Court of Appeals' decision of personal jurisdiction, founded on a consideration of "minimum contacts" and "fair play and substantial justice," comports with the requirements set forth in *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 105 S. Ct. 2174 (1985) and *Asahi Metal Industry Co., Ltd. v. Superior Court*, 480 U.S. 102, 107 S. Ct. 1026 (1987).

2. Whether the Eighth Circuit Court of Appeals correctly held the exercise of personal jurisdiction was consistent with the Due Process Clause of the Fourteenth Amendment of the United States Constitution when (a) the action is for breach of a contract that was: (i) partially negotiated in the forum (during a personal visit to the forum by the defendant and during telephone conferences and correspondence from the defendant to the plaintiff in the forum); (ii) became effective when executed by the plaintiff in the forum; (iii) established ongoing obligations of the defendant in the forum; and (iv) was interpreted during plural visits by the defendant to the forum (including testing a product to determine whether it met terms in the contract); (b) the claims at issue arise directly from the defendant's contacts with the forum; (c) the interests of the forum and the convenience of the parties are evenly balanced; and (d) the defendant neither raised nor made any showing below of the *Asahi* factors which would render jurisdiction inconsistent with due process.

PARTIES TO THE PROCEEDINGS

The parties to the proceedings in the United States Court of Appeals for the Eighth Circuit were petitioner Nippon Carbide Industries Co., Inc. ("NCI") and respondent Minnesota Mining & Manufacturing Co., Inc. ("3M"). No other party appeared in the proceedings below.

Pursuant to Supreme Court Rule 29.1, respondent states that it has no parent companies. The following names all of respondent's subsidiaries except those which are wholly-owned:

Birla 3M Ltd
Corporate Design Linkage
Diaplate Benelux B.V.
Marupi-Riker Company Ltd.
Masking S.R.L.
MCM Properties Limited
P.T. 3M Indonesia
PT 3M Telecom Limited
Sancera
Sanei Road Sign
Shamash – 3M Limited
Socadisa
Sumitomo 3M Limited
Sun Abrasives Company
3M E.CC. Europa B.V.
3M Korea Limited
3M Lentelefonstroy

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RESPONDENT'S BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

The respondent Minnesota Mining & Manufacturing Co., Inc. ("3M") respectfully requests that this Court deny the petition of Nippon Carbide Industries Co., Inc. ("NCI") for writ of certiorari which seeks review of the opinion issued below in this case by the United States Court of Appeals for the Eighth Circuit.

OPINIONS BELOW

The order of the Court of Appeals denying the petition for rehearing and suggestion for rehearing *en banc* is unreported and appears at page 9a of petitioner's appendix ("P. App. ___"). The opinion of the Court of Appeals is reported at 63 F.3d 694 (8th Cir. 1995) and is reported at pages 1a to 8a of petitioner's appendix. The opinion of the trial court granting petitioner's motion to dismiss for lack of personal jurisdiction is unreported and contained within the transcript of the hearing held on August 12, 1994 ("Tr. ___"). The order of the trial court granting petitioner's motion to dismiss is reprinted at page 10a of the petitioner's appendix.

STATEMENT OF THE CASE

In deciding that NCI is subject to personal jurisdiction in the forum state, the Eighth Circuit thoroughly and explicitly examined whether NCI has "such minimum contacts with the forum state that the maintenance of a suit does not offend traditional notions of fair play and

substantial justice." P. App. 5a. NCI erroneously argues that *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 105 S. Ct. 2174 (1984), and *Asahi Metal Industry Co., Ltd. v. Superior Court of California*, 480 U.S. 102, 107 S. Ct. 1026 (1987), require something more than the Eighth Circuit's examination of "minimum contacts" and "fair play and substantial justice," and NCI would establish a rigid formula for a court's consideration of these issues. This approach is semantic and does not undermine the sound deliberation of the Eighth Circuit, nor does it demonstrate conflict among the circuit courts of appeal with respect to the interpretation of *Burger King* and *Asahi*.

The Eighth Circuit, in a 3-0 opinion, reversed the district court's opinion dismissing for want of personal jurisdiction. Subsequently, NCI's petition for rehearing and suggestion for rehearing *en banc* was denied. The Eighth Circuit found that NCI's activities were directed toward and were for the specific purpose of effectuating the contract in dispute. P. App. 6a-7a. By purposefully coming into the State of Minnesota and negotiating and entering into a contract with a Minnesota resident, which could likely be enforced under the laws of Minnesota, NCI had purposefully availed itself of the laws of Minnesota. *Id.* The Eighth Circuit further held that the contacts between the parties were significant and resulted in a contract with on-going duties owed by both of the parties. *Id.* at 7a. Finally, relying upon the factual determination of the district court below, the Eighth Circuit held that the interest of Minnesota in this dispute was balanced by the issues of foreign law which might arise, and the inconvenience to the parties of having to litigate in foreign forums was evenly balanced. *Id.* at 8a.

This case is a breach of contract action filed in federal court pursuant to its diversity jurisdiction. Respondent Minnesota Mining & Manufacturing Co. ("3M"), through the work of Dr. Joseph McGrath, an employee of 3M, invented an improved retroreflective sheeting in the late 1970's. P. App. 2a. 3M applied for and received a United States patent for its retroreflective sheeting (the "McGrath Patent"). *Id.* In addition to the United States patent, which has now expired, 3M has eleven counterpart foreign patents for the same invention.[1] *Id.*

In the late 1980's, 3M sued Seibu Polymer Chemical Industry Co., Ltd., and Seibulite International, Inc., in Australia, Canada, the Republic of China, France, the United Kingdom and the United States, alleging that Seibu produced and sold a retroreflective sheeting known as Ultralite Grade ("ULG") which infringed the McGrath Patent and its foreign equivalents. P. App. 2a. In trials before the United States International Trade Commission and the High Court of Justice in the United Kingdom, the McGrath Patent was held to be valid and infringed. *Id.* Near the end of the U.K. litigation, NCI purchased part of the Seibu product line, including the retroreflective sheeting assets. *Id.* In late 1991, after 3M called NCI's attention to the McGrath Patent and ongoing dispute, NCI began a series of negotiations with 3M in an attempt to resolve 3M's claims of patent infringement. *Id.*

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[1] Foreign patents were obtained in Australia, Austria, Canada, France, Germany, Italy, Japan, Sweden, Switzerland, Taiwan and the United Kingdom. The Australian, Taiwanese and United States patents have expired.

During those negotiations, NCI and 3M personnel conducted several meetings: one meeting in Minnesota, one in Los Angeles, one in Honolulu, and two in Tokyo. P. App. at 2a. There were also extensive phone calls, letters and facsimiles between Japan and St. Paul, Minnesota, 3M's headquarters. *Id.* Drafts of an agreement were exchanged between the two companies. *Id.* When the language of the contract finally had been agreed upon, the contract was signed by NCI in Tokyo and then sent to 3M in Minnesota. *Id.* The contract became effective and binding upon the parties on April 29, 1992, when 3M executed it in St. Paul, Minnesota. *Id.* at 2a-3a. Under the contract, NCI agreed not to make, sell or use ULG or any other retroreflective sheeting which infringed the McGrath Patent or its foreign equivalents. *Id.* at 3a.

After entering into this agreement, NCI advised they had developed a new retroreflective-sheeting product called Nikkalite Ultralite Special Grade Sheeting ("ULS"). P. App. at 3a. NCI contacted 3M in September, 1992 to discuss whether ULS fell within the terms of the April 1992 contract: if ULS was within the contract's terms, *i.e.*, if it infringed the McGrath Patent, the product could not be sold under the terms of the contract. *Id.* This second set of negotiations took place over a year and a half with at least eight meetings in St. Paul and three other meetings in Tokyo. *Id.* Testing of the ULS sheeting occurred in Minnesota in the joint presence of NCI and 3M scientists. *Id.* Throughout this time, numerous phone calls, letters, and facsimiles were also sent between the two companies' principal places of business. *Id.* Also, during this time 3M discovered that NCI had continued selling ULG after it had executed the agreement. *Id.*

When it became clear that the negotiations were not going to resolve 3M's and NCI's dispute about ULS and ULG, 3M filed this diversity action against NCI on March 7, 1994, in its home district, the United States District Court for the District of Minnesota, where it had executed the contract. P. App. at 3a-4a. In Count I of the Complaint, 3M alleges that NCI breached the 1992 agreement by continuing to make, use or sell ULG sheeting in France, Italy and Germany. Count II alleges that NCI is making, using or selling ULS in France, Germany and Japan, also in breach of the 1992 agreement since ULS infringes the McGrath Patent, and NCI agreed not to make, use or sell such a product.

REASONS FOR DENYING THE WRIT

This case does not present this Court with the need or opportunity to resolve a supposed split in the courts of appeals as to the interpretation of *Burger King* and *Asahi*. The standard utilized by the Eighth Circuit Court of Appeals is consistent with both *Burger King* and *Asahi*, and its decision was based upon a correct application of that standard to the facts before it. Moreover, no conflict exists among the circuit courts of appeals with respect to the interpretation of this Court's decisions in *Burger King* and *Asahi*.

I. THE DECISION BELOW IS CONSISTENT WITH BOTH *BURGER KING* AND *ASAHI*.

A. The Standard Of Minimum Contacts And Fair Play And Substantial Justice Has Long Been Established As The Benchmark For The Assertion Of Personal Jurisdiction.

NCI approaches this Court seeking certiorari based on its argument that the court below failed to consider specific jurisdictional factors enumerated by this Court in *Burger King* and *Asahi*. It refers to those factors as the "reasonableness inquiry," but does not acknowledge that the analysis applied by the Eighth Circuit encompasses reasonableness within its own identified factors and its determination of "fair play and substantial justice."

In *Burger King*, the Court reiterated its premise established in *International Shoe Co. v. Washington*, 326 U.S. 310, 316, 66 S. Ct. 154, 158 (1945), that the "constitutional touchstone" in determining jurisdiction remains "whether the defendant purposefully established 'minimum contacts' in the forum state." *Burger King*, 471 U.S. at 474, 105 S. Ct. at 2183. Once minimum contacts have been established, those contacts may be considered in light of other factors to determine whether the exercise of jurisdiction would be consistent with "fair play and substantial justice." *Id.* at 478, 101 S. Ct. at 2184, citing *International Shoe*, 326 U.S. at 320, 66 S. Ct. at 160.

Relying on the factors set forth in *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 292, 100 S. Ct. 559, 564 (1980), *Burger King* went on to state that in appropriate cases, courts may evaluate the following factors in determining whether jurisdiction was reasonable and

thereby consistent with fair play and substantial justice: (1) the burden on the defendant; (2) the forum state's interest in adjudicating the dispute; (3) the plaintiff's interest in obtaining convenient and effective relief; (4) the interstate judicial system's interest in obtaining the most efficient resolution of controversies; and (5) the shared interest of the several states in furthering fundamental substantial social policies. *Burger King*, 471 U.S. at 477, 105 S. Ct. at 2184.

If minimum contacts are present, a defendant who seeks to defeat jurisdiction must present a compelling reason that the presence of other considerations listed in *Burger King* would make jurisdiction unreasonable. *Burger King*, 471 U.S. at 477, 105 S. Ct. at 2185. Such considerations, this Court recognized, may usually be "accommodated" short of finding jurisdiction unconstitutional. *Id.* at 477, 101 S. Ct. at 2185. Thus, a defendant claiming a substantial burden in litigating in the forum may seek a change of venue. *Id.* Similarly, the potential clash of social policies may be accommodated through application of the forum's choice-of-law rules. *Id.*[2]

The factors to be used in determining "fair play and substantial justice" were subsequently affirmed in *Asahi Metal Industry Co.*, which applied them to the case of an

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[2] "[M]inimum contacts analysis presupposes that two or more states may be interested in the outcome of a dispute, and the process of resolving potentially conflicting 'fundamental substantive social policies,' . . . can usually be accommodated through choice-of-law rules rather than through outright preclusion of jurisdiction in one forum." *Burger King*, 471 U.S. at 485, 105 S. Ct. at 2188 (citations omitted).

alien defendant. The Court recognized the burden upon a foreign defendant in defending a lawsuit in a foreign land, stating: "[T]he unique burdens placed upon one who must defend oneself in a foreign legal system should have significant weight." *Asahi*, 480 U.S. at 114, 107 S. Ct. at 1033. At the same time, the Court continued, when minimum contacts have been established, often the interests of the plaintiff and the forum in the exercise of jurisdiction "will justify even the serious burdens placed on an alien defendant." *Id.* at 114, 107 S. Ct. at 1033.

Following the original language of *World-Wide Volkswagen*, *Asahi* summarized the last two *Burger King* factors of interests of other states in (1) the efficient judicial resolution of the disputes, and (2) advancement of substantive policies, as "the procedural and substantive policies of other states." *Asahi*, 480 U.S. at 115, 107 S. Ct. at 1034. The Court stated that, when an alien defendant is involved, courts should consider the procedural and substantive policies of other *nations* whose interests may be affected by the exercise of jurisdiction. *Id.* Recognizing that the interests will differ from case to case, the Court instructed that the interests of other nations, as well as the United States' interest in foreign relations policies:

> " . . . will be best served by a careful inquiry into the reasonableness of the assertion of jurisdiction in the particular case, and an unwillingness to find the serious burdens on an alien defendant outweighed by minimal interests on the part of the plaintiff or the forum State."

Id. *Asahi* signaled that while some inquiry is necessary, a mechanical and literal application of these two particular *Burger King* and *Asahi* factors is not required; careful

inquiry into the reasonableness of jurisdiction will suffice. Indeed, *Asahi* itself contains no substantive discussion of the application of these factors in light of the facts before it. *Asahi*, 480 U.S. at 115, 107 S. Ct. at 1034.

In a purely semantic exercise, NCI has taken the two-part analysis of minimum contacts and fair play and substantial justice and attempted to graft onto it factors expressed in *Burger King* and *Asahi* to create yet a third level of analysis – the "reasonableness inquiry." It is this level of analysis, beyond its admitted consideration of fair play and substantial justice, which NCI contends the Eighth Circuit did not conduct. *Burger King* and *Asahi* did not, however, create a separate reasonableness inquiry to be utilized in determining whether the exercise of personal jurisdiction was appropriate. To the contrary, the Court's decisions in these cases reaffirmed the fundamental analysis of minimum contacts and fair play and substantial justice. The concept of reasonableness is synonymous with, rather than distinct from, fair play and substantial justice. Indeed, the language of *Asahi* made clear that reasonableness is part and parcel of fair play and substantial justice:

> "The strictures of the Due Process Clause forbid a state court to exercise personal jurisdiction over Asahi under circumstances that would offend 'traditional notions of fair play and substantial justice.' . . . We have previously explained that the determination of the reasonableness of the exercise of jurisdiction in each case will depend on an evaluation of several factors." (citations omitted).

Asahi, 480 U.S. at 113, 107 S. Ct. at 1033.[3] The legacy of *Burger King* and *Asahi* is that minimum contacts must be considered in light of other factors to determine whether jurisdiction would be consistent with fair play and substantial justice. The determination of fair play and substantial justice, just as the court below determined, also determines the reasonableness of the jurisdictional finding.

B. NCI Failed To Raise The Issues It Now Characterizes As *Burger King* Or *Asahi* Factors In The Proceedings Before Both The District Court And Eighth Circuit, Nor Did It Make Any Showing Thereof.

NCI has conceded the propriety of the determination of the court below as to the existence of the requisite minimum contacts. Now it seeks certiorari on the allegation that the Eighth Circuit failed to consider the *Burger King* and *Asahi* factors. NCI, however, chose to focus both its motion to dismiss and opposition to 3M's appeal on the test consistently applied by the Eighth Circuit, and raised the issue of a separate "reasonableness inquiry" for the first time in its petition. Certiorari is unwarranted for that reason alone. *Delta Air Lines, Inc. v. August*, 450 U.S. 346, 362, 101 S. Ct. 1146, 1156 (1981) ("question

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[3] *See also, Burger King*, 471 U.S. at 477-78, 105 S. Ct. at 2185; *Rush v. Savchuk*, 444 U.S. 320, 332, 100 S. Ct. 571, 579 (1980) ("[i]f a defendant has certain judicially cognizable ties with a state, a variety of factors relating to the particular cause of action may be relevant to the determination of whether the exercise of jurisdiction would comport with 'traditional notions of fair play and substantial justice.' ")

presented in petition but not raised in court of appeals is not properly before us"). *Youakim v. Miller*, 425 U.S. 231, 234, 96 S. Ct. 1399 (1976) ("ordinarily, this Court does not decide questions not raised or involved in the lower court").

Furthermore, once a plaintiff has made out a *prima facie* case of minimum contacts, the burden shifts to the defendant to present a compelling case that the presence of the *Burger King* and *Asahi* considerations would render jurisdiction inconsistent with fair play and substantial justice. *Burger King*, 471 U.S. at 477, 105 S. Ct. at 2185. NCI never mentioned below what it terms the *Burger King* or *Asahi* "reasonableness factors," or provided support for those factors, let alone asking the court below to consider them. It certainly has not met its burden. Nevertheless, the opinion of the court below clearly indicates that the Eighth Circuit panel considered the *Burger King* and *Asahi* factors in substance, if not in form, and found the exercise of jurisdiction to be consistent with fair play and substantial justice.

C. The Standard Utilized By The Eighth Circuit Is Consistent With *Burger King* And *Asahi*.

In its petition for certiorari, NCI does not recognize that the Eighth Circuit incorporates the concept of reasonableness into the requirement of fair play and substantial justice when it analyzes the appropriateness of assertion of jurisdiction. The five-part jurisdiction test utilized by the Eighth Circuit was first established in its decision in *Aftanase v. Economy Baler Co.*, 343 F.2d 187 (8th Cir. 1965) (Blackmun, J.). In *Aftanase*, the court analyzed

the decisions of *International Shoe* and its progeny and found that the precedent of this Court required not only a showing of minimum contacts but a standard of reasonableness in light of the existing contacts consistent with fair play and substantial justice. *Aftanase*, 343 F.2d at 195-96. *Aftanase* then examined the principles and guidelines set forth in *International Shoe; Travelers Health Ass'n v. Com. of Virginia ex rel. State Corp. Comm'n*, 339 U.S. 643, 70 S. Ct. 927 (1950); *Perkins v. Benguet Consol. Mining Co.*, 342 U.S. 437, 72 S. Ct. 413 (1952); *McGee v. International Life Ins. Co.*, 355 U.S. 220, 78 S. Ct. 199 (1957); and *Hanson v. Denckla*, 357 U.S. 235, 78 S. Ct. 1228 (1958), and formulated the five-part test which the Eighth Circuit still applies today:

> (1) the nature and quality of the defendant's contacts with the forum state; (2) quantity of contacts; (3) source and connection of the cause of action with those contacts; (4) the interest of the forum state in providing a forum for its residents; and (5) the convenience of the parties.

Aftanase, 343 F.2d at 195-197; *Northrup King Co. v. Compania Productora Semillas*, 51 F.3d 1383, 1387-88 (8th Cir. 1995); *Bell Paper Box, Inc. v. U.S. Kids, Inc.*, 22 F.3d 816, 819 (8th Cir. 1994); *Gould v. P. T. Krakatau Steel*, 957 F.2d 573 (8th Cir.), *cert. denied*, ___ U.S. ___, 113 S. Ct. 304 (1992).[4]

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[4] Applying the five factors, *Aftanase* held that jurisdiction was consistent with fair play and substantial justice and did not violate due process: "we here have more than the minimum contacts which the Supreme Court has prescribed as the standard and we see nothing unreasonable in requiring the defense of the suit in a Minnesota tribunal." *Aftanase*, 343 F.2d at 197.

If it is shown that the nature, quality and quantity of the contacts of the defendant with the jurisdiction, as well as the relationship of the contacts to the cause of action is minimal, factors of the state's interest and convenience of the parties cannot, in and of themselves, control. *Aaron Ferer & Sons Co. v. American Compressed Steel*, 564 F.2d 1206, 1210, n.5 (8th Cir. 1977). In contrast, once there has been a determination of minimum contacts, the focus then shifts to whether, in light of the interests of the forum state and burdens upon the parties, exercise of jurisdiction is reasonable and therefore comports with fair play and substantial justice.

The Eighth Circuit had thus already incorporated an inquiry about the reasonableness of jurisdiction into the determination of fair play and substantial justice even before the decisions of *Burger King* and *Asahi*, and has continued to do so. In fact, NCI acknowledges in its petition that the Eighth Circuit standard incorporates the first three *Burger King* and *Asahi* factors. NCI's petition at p. 11. *Asahi* does not require a literal application of the other factors, and the post-*Burger King* and *Asahi* opinions of the Eighth Circuit indicate that a careful inquiry into the reasonableness of the assertion of jurisdiction is consistently made. *See, e.g., Watlow Electric Manufacturing Co. v. Patch Rubber Co.*, 838 F.2d 999, 1002-1003 (8th Cir. 1988) (the court, citing the *Burger King* and *Asahi* factors, found the defendant had presented no compelling reasons why the exercise of jurisdiction was unfair). The Eighth Circuit has clearly recognized *Burger King* and *Asahi*, particularly when an alien defendant is involved. For example, in *Falkirk Mining Co. v. Japan Steel Works, Ltd.*, 906 F.2d 369,

374-376 (8th Cir. 1990), the court applied the Eighth Circuit test, and then, noting that it had previously incorporated several of *Asahi's* jurisdictional considerations into its five-part test, went on to find that the additional *Asahi* factors (interest of the plaintiff, effective resolution of disputes and advancement of substantive policies) supported its finding that no personal jurisdiction existed. *Id.* Like the Eighth Circuit's decision below in this matter, the *Falkirk* court did not delineate the basis for its conclusion that the last two factors "do not favor the exercise of jurisdiction here because a foreign corporation is at issue," but made clear that the "careful inquiry" it was required to make before exercising jurisdiction over a foreign defendant supported its conclusion. *Id. See also, Sybaritic, Inc. v. Interport International, Inc.*, 957 F.2d 522, 524 (8th Cir. 1992) (Eighth Circuit upheld a lower court decision which specifically applied the five *Asahi* factors and confirmed the consistency of its five-part test with *Burger King* and *Asahi,* stating "this analytical framework incorporates the notions of both "minimum contacts" and "fair play and substantial justice").

The decisions of the Eighth Circuit illustrate that it utilizes the two-part analysis of minimum contacts and fair play and substantial justice, and that no conflict exists between the Eighth Circuit and this Court's precedents in *Burger King* and *Asahi.*[5] While there are reported

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[5] A number of the decisions cited by NCI which allegedly conflict with *Burger King* and *Asahi* actually predate those decisions. *See, Thompson v. Ecological Science Corp.*, 421 F.2d 467, 469 (8th Cir. 1970); *Douglas Mach. & Eng'g Co. v. Hyflow Blanking*

decisions which do not literally apply the *Burger King* and *Asahi* factors, each decides the jurisdictional issue based on both minimum contacts and fair play and substantial justice.[6] This analysis, properly applied, meets each of the specific factors set forth by this Court.

Press Corp., 229 N.W.2d 784, 789 (Iowa 1975); *Zerbel v. H. L. Federman & Co.*, 179 N.W.2d 872, 878-79 (Wisc. 1970), *appeal dismissed*, 402 U.S. 902, 91 S. Ct. 1379 (1971).

[6] *See Northrup King*, 51 F.3d at 1387-1389 (jurisdiction upheld where alien defendant made numerous visits to forum to discuss business dealings, exchanged correspondence which resulted in sale out of which suit arose, and interest of the forum and convenience of parties favored jurisdiction); *Bell Paper Box*, 22 F.3d at 819-820 (jurisdiction upheld where there were personal visits and correspondence to the forum; contract performed in its entirety in the forum; final product shipped "F.O.B." to forum; and inconvenience to the parties equal); *Gould*, 957 F.2d 573 at 576 (upheld lower court decision that Eighth Circuit test, *Burger King* and *Asahi* compelled finding of contacts insufficient to satisfy due process and exercise of jurisdiction would offend fair play and substantial justice); *Soo Line R. Co. v. Hawker Siddeley Canada, Inc.*, 950 F.2d 526, 528-530 (8th Cir. 1991) (lack of contacts overrides interest of forum and whatever convenience may exist from litigating in forum). Two other decisions of the Eighth Circuit relied upon the two-part minimum contacts and fair play and substantial justice analysis, rather than its five-part test, because the court found that the requisite minimum contacts were so extensive that the assertion of jurisdiction was consistent with fair play and substantial justice. *See, Barone v. Rich Bros. Interstate Display Fireworks*, 25 F.3d 610, 612-615 (8th Cir.), *cert. denied sub nom. Hoysoya Fireworks Co., Ltd. v. Barone*, ___ U.S. ___, 115 S. Ct. 359 (1994) (finding that sufficient contacts existed under the stream of commerce theory; modern transportation and communication make it less burdensome for foreign defendants to defend themselves; and plaintiff's choice of forum comports with due process); *Portnoy*

D. The Exercise Of Jurisdiction In This Case Is Clearly Consistent With Fair Play And Substantial Justice Under *Burger King* And *Asahi*.

In reaching its decision, the Eighth Circuit properly applied the requirements of minimum contacts, as well as fair play and substantial justice, to the facts before it, stating:

> " . . . jurisdiction is proper only if the defendant has such minimum contacts with the foreign state that the maintenance of the suit does not offend traditional notions of fair play and substantial justice . . . . Once it has been decided that a defendant purposefully established contacts with a forum state, these contacts must be considered in light of other factors to determine whether the assertion of personal jurisdiction would agree with fair play and substantial justice." (citations omitted).

P. App. 5a. The court below then proceeded to apply its five-part test: the nature and quality of the contacts, quantity of the contacts, relationship of the cause of action to the contacts, interest of the forum, and convenience or inconvenience to the parties. Finding that the first three factors were interrelated, the court considered

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v. Defiance, Inc., 951 F.2d 169, 171 (8th Cir. 1991) (where stock purchase agreement which was subject of litigation, as well as promissory note to effectuate it and guaranties were executed in Missouri, and negotiations leading up to execution were conducted in Missouri, jurisdiction did not offend fair play and substantial justice).

them together, holding that NCI voluntarily came to Minnesota with the purpose of settling several lawsuits in several different countries; NCI and 3M entered into extensive negotiations in Minnesota and elsewhere; the outcome of NCI's negotiations was a contract demanding on-going duties from both of the parties, which was made in Minnesota and is likely to be enforced under Minnesota law; and it is that specific contract, the result of NCI's contacts in Minnesota, which is now in dispute. *Id.* at 6a-7a. With respect to the final two factors of the interests of the Minnesota forum and convenience of the parties, the court stated that it agreed with the determination of the district court that the factors were evenly balanced as between Minnesota and Japan and 3M and NCI and found it unnecessary to discuss them in its opinion. *Id.* at 8a.

The Eighth Circuit in essence considered the first three *Burger King* and *Asahi* factors through the application of its five-part test and found those factors to weigh heavily in favor of jurisdiction. In addition, although not labeling its analysis as such, the opinion clearly indicates that the court made factual determinations which applied the last two *Burger King* and *Asahi* factors of "procedural and substantive interests of other states" as well. Thus, whether the Eighth Circuit literally applied the *Burger King* and *Asahi* factors or not, it still reached a result consistent with those factors.

Burden on the Defendant: First, the Eighth Circuit found that the burden on NCI was equal to that of 3M. At no time, either before the court below, or in its petition, has NCI made any showing that it would be more burdensome for NCI to litigate in Minnesota than it would

be for 3M to litigate in Japan, France, Germany and Italy. Indeed, in assessing the burden on NCI, the court below relied upon the determination of the district court that 3M and NCI were multinational corporations, suited to try any action anywhere, and the burden on NCI with having to litigate in Minnesota was balanced equally by 3M's burden of having to litigate overseas. P. App. 4a, 8a; Tr. 35.

The only contentions made by NCI before the court below which arguably touch on this issue went to the alleged inconvenience to both parties if required to litigate in Minnesota. These inconveniences, including importation of evidence from overseas and need to translate testimony and documents, do not, however, make Minnesota any more burdensome than Japan. *See*, NCI's Eighth Circuit App. Br. at 22-28. If jurisdiction is denied, 3M will be forced to pursue its claims for breach of contract not only in Japan, but also in at least three other separate forums, with each of the alleged inconveniences being multiplied. Further, in seeking to dismiss this action and require litigation of this dispute in various European forums as well as Japan, NCI has impliedly conceded that no burden exists on it to litigate in a foreign locale. The burden of defending this action in Minnesota, if such a burden even exists, is not great enough to deprive NCI of fair play and substantial justice.

Interests of the Forum: Considering this factor as part of its five-part test, the court below also found that like the burden on NCI, the interests of Minnesota were counterbalanced by the questions of foreign law which might arise. P. App. 8a; Tr. 34. It is undisputed that states have

"a manifest interest in providing effective means of redress for its residents." *McGee*, 355 U.S. at 223, 78 S. Ct. at 201 (1957). Moreover, as the district court below noted, states have a special interest in guarding the rights of residents under a contract negotiated and effectuated in the forum. Tr. 34; *Thompson*, 421 F.2d at 470. Here, NCI came to Minnesota to enter into negotiations to settle several lawsuits in several different countries. P. App. 2a, 6a-7a. The outcome of those negotiations was a contract which became binding and effective in Minnesota and which is likely to be governed by the laws of Minnesota. *Id.* at 2a-3a, 7a. Subsequently, NCI came to Minnesota to once again engage in negotiations as to its obligations under that same contract. *Id.* at 3a. Although the district court found, and the Eighth Circuit agreed, that the interests of Minnesota in this dispute are considerable, they also determined that the questions of foreign law of different nations which may be involved are a "strong countervailing factor." Tr. 34.

Unlike *Asahi*, in which only non-forum acts were concerned with the claim at issue, 3M is a forum plaintiff which seeks redress for harm allegedly arising out of a contract negotiated and entered into in the forum. NCI has made no showing that Japan, or another *single* nation, could better preserve the rights of the parties or has interests superior to Minnesota.

Interests of 3M: 3M's interest in obtaining relief in Minnesota is much more than that automatically assumed by every plaintiff in every case. As the court below noted, NCI came voluntarily to Minnesota for the purpose of terminating the ongoing litigation between 3M and NCI.

P. App. 6a. The parties entered into the contract in question in part to end the litigation over the McGrath Patent in various countries and reduce both their dispute and any future obligations and disputes into one contract. *Id.* at 6a-7a. By entering into the contract, 3M and NCI were to bring an end to the worldwide litigation over the validity and infringement of the McGrath Patents. *Id.* Since there is no single alternative forum in which 3M may resolve all of its claims, 3M has a substantial interest in litigating all issues involving the McGrath Patent in one forum. To deny 3M the means to do so, without a showing of a justifiable burden to NCI, deprives 3M of the benefit of its bargain.

Interstate Judicial System's Interest in the Most Effective Resolution of Controversies and Shared Interests of States in Furthering Fundamental Social Policies: With respect to the final two *Burger King* and *Asahi* factors, *Asahi* stands for the proposition that where an alien defendant is involved, courts should consider the procedural and substantive policies of other *nations*, as opposed to states. *Asahi*, 480 U.S. at 115, 107 S. Ct. at 1034. No "unique significance" was accorded to these factors in *Asahi*, nor are they accorded any greater weight in determining fair play and substantial justice. Recognizing that the interests in question will differ from case to case, and rejecting the requirement of a literal application of these factors, *Asahi* instructs that a court should carefully inquire into whether the assertion of jurisdiction over an alien defendant overall is reasonable, and whether serious burdens on the defendant are not outweighed by other minimal interests. *Id.* The opinion of the Eighth Circuit panel

below indicates that it was not unmindful of these factors.

The court below addressed the issue of the substantive policies of foreign nations in analyzing NCI's contention that jurisdiction is improper because this is "a foreign dispute involving NCI's foreign activities and 3M's foreign patents." P. App. 6a. Relying on *Hanson*, 357 U.S. at 254, 78 S. Ct. at 1240, the Eighth Circuit held that the issue before the court was personal jurisdiction, not choice of law, and the complexity of applying foreign patent laws becomes relevant only after jurisdiction has been established. *Id.* The court went on to illustrate its sensitivity to this factor, stating "[i]t often happens that a forum with jurisdiction must apply the law of another state or country." *Id.*[7] In doing so, this Court recognized that the need to apply the laws of other jurisdictions is not a factor which should by itself defeat jurisdiction, but instead one which can be accommodated. *Id.*[8] Finally, the

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[7] *See also Burger King*, 471 U.S. at 477, 481-482, 105 S. Ct. at 2185, 2187. *Burger King* anticipated that such issues might arise, acknowledging that a potential clash of the substantive social policies of either state may be accommodated by application of the forum's choice-of-law rules.

[8] The Seventh and Federal Circuit courts have, in fact, held the exercise of jurisdiction over a foreign patent proper. *See Ortman v. Stanray Corp.*, 437 F.2d 231, 237 (7th Cir. 1971); *Distillers Co., Ltd. v. Standard Oil Co.*, 150 USPQ (BNA) 42 (N.D. Ohio 1964). *See also, Mars Inc. v. Kabushiki-Kausha Nippon Conlux*, 24 F.3d 1368, 1374-1375 (Fed. Cir. 1994). NCI's citation to *Stein Assocs., Inc. v. Heat & Control, Inc.*, 748 F.3d 653, 658 (Fed. Cir. 1984) for the proposition that only a British court can apply British law and determine the validity and infringement of British patents predates *Mars*. It is also irrelevant, in that the

facts before the court below leave no question that the assertion of jurisdiction in Minnesota, the only single forum in which this dispute can be decided, is the most efficient resolution of this controversy.

The court below carefully considered whether the assertion of jurisdiction comported with fair play and substantial justice in this case and found that the burdens on NCI did not outweigh the interests of either 3M or the forum. Accordingly, the exercise of jurisdiction in the current case is clearly consistent with *Burger King* and *Asahi* and certiorari should be denied.

II. NO CONFLICT EXISTS AMONG THE LOWER FEDERAL AND STATE COURTS AS TO THE INTERPRETATION OF *BURGER KING* AND *ASAHI*.

Utilizing a strained interpretation of *Burger King* and *Asahi*, NCI attempts to create a conflict where none exists. The majority of the courts of appeals – the Second, Third, Fourth, Fifth, Tenth, Eleventh and District of Columbia Circuits – utilize the two-part analysis of minimum contacts and fair play and substantial justice, applying the *Burger King* and *Asahi* factors to assess the latter.[9] The

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McGrath Patent was held to be valid and infringed by the High Court of Justice in the United Kingdom. P. App. 2a.

[9] *See, e.g., A.I. Trade Finance, Inc. v. Petra Bark*, 989 F.2d 76, 83 (2d Cir. 1993); *Grand Entertainment Group, Ltd. v. Star Media Sales, Inc.*, 988 F.2d 476, 483 (3d Cir. 1993); *Lesnick v. Hollingsworth & Vose Co.*, 35 F.3d 939, 945-46 (4th Cir.), *cert. denied*, ___ U.S. ___, 115 S. Ct. 1103 (1994); *Gulf Consol. Services v. Corinth Pipeworks, S.A.*, 898 F.2d 1071, 1074 (5th Cir.), *cert. denied*,

Eighth Circuit also follows the analysis of both minimum contacts and fair play and substantial justice, which it has embodied into its own five-part test.

The alleged inconsistency of the standard utilized by the First Circuit is due more to a misinterpretation by NCI of the First Circuit precedent than any structural flaw in its test. Like the majority of circuits, the First Circuit requires both a showing of minimum contacts and fair play and substantial justice. *Ticketmaster-New York, Inc. v. Alioto*, 26 F.3d 201, 209 (1st Cir. 1994). Once minimum contacts are found, the First Circuit recognizes that a court must consider "a panoply of factors which bear upon the fairness of subjecting a nonresident to the authority of a foreign tribunal." *Id.* These five factors are the *Burger King* and *Asahi* factors, referred to in the First Circuit as "gestalt factors." *Id.*

NCI's contention that the First Circuit test utilizes a sliding scale which is in conflict with *Burger King* and *Asahi* is pure fallacy. The First Circuit holds that the weaker the prongs of minimum contacts, the more reasonableness that must be shown. *Ticketmaster*, 26 F.3d at 210. Conversely, a strong showing of reasonableness may fortify a borderline showing of minimum contacts. *Id.* This approach is entirely consistent with *Burger King*, which states that minimum contacts are to be considered in light of the fair play and substantial justice factors, and one may establish the fairness of jurisdiction even where

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498 U.S. 900, 111 S. Ct. 256 (1990); *Vermeulen v. Renault, U.S.A., Inc.*, 985 F.2d 1534, 1551 (11th Cir.), *cert. denied sub nom. Regie Nationale Des Usines Renault S.A. v. Vermeulen*, ___ U.S. ___, 113 S. Ct. 2324 (1993); *Koteen v. Bermuda Cablevision, Ltd.*, 913 F.2d 973, 975 (D.C. Cir. 1990).

there is a lesser showing of minimum contacts. *Burger King*, 471 U.S. at 477, 105 S. Ct. at 2184.

The alleged conflict between the Ninth Circuit test and *Burger King* and *Asahi* is similarly illusory. The Ninth Circuit requires a finding of minimum contacts as well, which are then considered in light of other factors to determine whether the fair play and substantial justice standard is met. *Core-Vent Corp. v. Nobel Industries AB*, 11 F.3d 1482, 1487 (9th Cir. 1993). The Ninth Circuit then utilizes a seven-part test, which embodies the *Burger King* and *Asahi* factors, to determine whether jurisdiction comports with fair play and substantial justice. *Id.* at 1487-1488. The first of these factors is the extent of the defendant's purposeful interjection into the foreign state's affairs, which is to be weighed in assessing the overall fairness of jurisdiction, as are the other factors. *Id.* at 1487-88. The Ninth Circuit has held that the smaller the amount of purposeful interjection, the less the exercise of jurisdiction is to be anticipated by the defendant, and therefore the less reasonable the exercise of jurisdiction will be. *Id.* at 1488. This approach, as the Ninth Circuit noted in *Core-Vent*, is entirely consistent with *Burger King's* holding that minimum contacts must be evaluated in light of the *Burger King* and *Asahi* factors. Clearly the standard utilized by the Ninth Circuit is not in conflict with either *Burger King* or *Asahi*.

The standard utilized by the Sixth Circuit is consistent with both *Burger King* and *Asahi* as well. In the Sixth Circuit, as in the other circuits, the inquiry is whether there are sufficient minimum contacts and jurisdiction is consistent with fair play and substantial justice. *Theunissen v. Matthews*, 935 F.2d 1454, 1459 (6th Cir. 1991).

As set forth in NCI's petition, the Sixth Circuit requires (1) the defendant purposely avail himself of the privilege of acting in the forum state or causing of consequences in the forum; (2) the cause of action arise from the defendant's activities there; and (3) the acts of the defendant or consequences have a substantial enough connection with the forum to make the exercise of jurisdiction over the defendant reasonable. *Id.* at 1460. While *Theunissen* held that an inference of reasonableness arises when the first two criteria are met, it acknowledged that under *Asahi*, when an alien defendant is involved, the *Burger King* and *Asahi* factors need to be applied. *Id.* at 1460-61. This standard is in no way inconsistent with either *Burger King* or *Asahi*. It requires both minimum contacts and fairness so as not to offend the notions of fair play and substantial justice. While purposeful availment and the fact that the cause of action arises from the defendant's activities in the forum create an inference of fairness, a fairness inquiry is still required, particularly where an alien defendant is involved. *Id.*

With respect to the Seventh Circuit, it is not in the state of disarray that NCI would have the Court believe. Not only does it utilize the required two-part analysis of minimum contacts and fair play and substantial justice, but the *Burger King* and *Asahi* factors have also been applied in considering the latter. Of the most recent decisions in the Circuit, the majority utilized and applied the *Burger King* and *Asahi* factors in assessing whether jurisdiction was consistent with fair play and substantial justice. *See, Dehmlow v. Austin Fireworks*, 963 F.2d 941, 945, 947 (7th Cir. 1992) (Seventh Circuit began its analysis with fair play and substantial justice, applying the *Asahi*

factors, then turned to the "constitutional touchstone" of minimum contacts); *Diamond Mortgage Corp. of Illinois v. Sugar*, 913 F.2d 1233, 1247 (7th Cir. 1990), *cert. denied*, 498 U.S. 1089, 111 S. Ct. 968 (1991) (citing the portion of the *Burger King* opinion listing the *Burger King* factors and finding that defendants had not demonstrated the burden was excessive, the court was not persuaded jurisdiction would violate fair play and substantial justice); *Heritage House Restaurants v. Continental Funding*, 906 F.2d 276, 284 (7th Cir. 1990) (after minimum contacts have been established, courts may consider convenience of litigating in the forum and the interests of states involved).[10] In two decisions in which the *Burger King* and *Asahi* factors were not applied by rote, the court reached decisions which, on their facts, are consistent with *Burger King* and *Asahi*.[11]

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[10] The decision of *Giotis v. Appollo of the Ozarks*, 800 F.2d 660 (7th Cir. 1986), *cert. denied*, 479 U.S. 1092, 107 S. Ct. 1383 (1987) predates *Asahi*.

[11] In *Nucor v. Aceros y Maquilas de Occidente*, 28 F.3d 572, 580 (7th Cir. 1994), the defendant appealed a finding of summary judgment on the grounds that their lack of minimum contacts precluded jurisdiction. In holding the assertion of jurisdiction was appropriate, the court relied upon a string of Seventh Circuit precedent involving negotiations in the forum leading to the contract at issue, many of which are on point here, and found that the requisite minimum contacts did exist. *Nucor*, 28 F.3d at 581. The facts in *Wilson v. Humphreys (Cayman) Ltd.*, 916 F.2d 1239, 1243 (7th Cir. 1990), *cert. denied*, 449 U.S. 947, 101 S. Ct. 350 (1991) indicate it too reached the right result. NCI noted that the court cited *Burger King*, but did not appear to apply its factors to the facts before it. Other portions of the decision indicate, however, that the court took a number of the *Burger King* factors into consideration in the *forum non conveniens* section of the opinion. *Wilson*, 916 F.2d at 1246-1247.

The decisions of the Seventh Circuit indicate that the two-part analysis for personal jurisdiction is alive and well, and the *Burger King* and *Asahi* factors along with it.

It is clear that each of the circuit courts of appeals have adopted the two-part analysis of minimum contacts and the reasonableness of jurisdiction so as to comport with fair play and substantial justice. Although the procedures utilized by the various circuits may differ in form, in substance they embody those principles required by *Burger King* and *Asahi*. Since the exercise of jurisdiction will often turn on the facts of the case at hand, the results will differ, but the standard remains the same. Different courts may disagree with the application of law to facts, but that does not mean that the standard itself is flawed or unclear. For that reason, a review of the *Burger King* and *Asahi* factors, or even the parameters of the exercise of personal jurisdiction, is both unwarranted and undesirable.

CONCLUSION

The petition for writ of certiorari should be denied.

Respectfully submitted,

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Supreme Court, U.S.
FILED
FEB 5 1996
CLERK

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No. 95-1082

IN THE
SUPREME COURT OF THE UNITED STATES
OCTOBER TERM, 1995

NIPPON CARBIDE INDUSTRIES CO., INC.,

Petitioner,

v.

MINNESOTA MINING & MANUFACTURING CO., INC.,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Eighth Circuit

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MOTION FOR LEAVE TO FILE BRIEF AMICUS CURIAE AND BRIEF FOR THE ASSOCIATION OF INTERNATIONAL AUTOMOBILE MANUFACTURERS, INC. AS AMICUS CURIAE IN SUPPORT OF THE PETITION

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MOTION FOR LEAVE TO FILE BRIEF FOR THE ASSOCIATION OF INTERNATIONAL AUTOMOBILE MANUFACTURERS, INC. AS AMICUS CURIAE IN SUPPORT OF THE PETITION

The Association of International Automobile Manufacturers, Inc. ("AIAM") hereby moves, under Rule 37.2 of the rules of this Court, for leave to file the attached brief as *amicus curiae*. Counsel for the petitioner has consented to the filing of this brief; counsel for the respondent has stated that it is unable to consent at this time.

AIAM is a trade association representing the United States subsidiaries of international automobile companies doing business in the United States. Member companies distribute passenger cars, light trucks, and multipurpose passenger vehicles in the United States. Nearly half of these vehicles are manufactured in the new American plants established by AIAM companies in the past decade.

The contours of the Fourteenth Amendment's due process restrictions on the exercise of personal jurisdiction by United States courts is of paramount importance to the *amicus* and its member companies. In this case, the court of appeals failed to consider whether the exercise of jurisdiction over a foreign company was reasonable following its minimum contacts determination and largely ignored the substantial foreign aspects of this case. The court of appeals' approach conflicts with other courts of appeals and contravenes this Court's decision in *Burger King Corp. v. Rudzewicz*, 471 U.S. 462 (1985) and *Asahi Metal Industry Co., Ltd. v. Superior Court*, 480 U.S. 102 (1987).

AIAM and its member companies fear that the lack of uniformity in this area of the law adversely affects the ability of foreign corporations to conduct business in the United States. AIAM is particularly concerned about the affect that the court of appeals' approach in this case has on the structuring of the relationships between the member companies and their foreign parents.

AIAM represents some of the leading automobile manufacturers in the country. As *amicus*, it can offer this Court a unique

perspective on the importance of this area of the law to domestic and foreign businesses, which will serve to emphasize the need for this Court's review of this case.

For these reasons, the Court should grant this motion for leave to file the attached brief *amicus curiae* in support of the petition for certiorari.

Respectfully submitted

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February 5, 1996

INTEREST OF THE AMICUS CURIAE

The Association of International Automobile Manufacturers, Inc. is the trade association representing the United States subsidiaries of international automobile companies doing business in the United States. Member companies distribute passenger cars, light trucks, and multipurpose passenger vehicles in the United States. Nearly half of these vehicles are manufactured in the new American plants established by AIAM companies in the past decade. Member companies include: American Honda Motor Co., Inc., American Suzuki Motor Corporation, BMW of North America, Inc., Fiat Auto U.S.A., Inc., Hyundai Motor America, Isuzu Motors America, Inc., Kia Motors America, Inc., Land Rover North America, Inc., Mazda Motor of America, Inc., Mercedes-Benz of North America, Inc., Mitsubishi Motor Sales of America, Inc., Nissan North America, Inc., Porsche Cars North America, Inc., Rolls-Royce Motor Cars, Inc., Subaru of America, Inc., Toyota Motor Sales, U.S.A., Inc., Volkswagen of America, Inc. and Volvo North America Corporation.

The Fourteenth Amendment's constraints on the exercise of personal jurisdiction is of substantial concern to AIAM and its member companies. The lack of uniformity in this area of the law and the assertion of jurisdiction over foreign companies without significant contacts with the United States hinders the structuring of the relationships between the member companies and their foreign parents. AIAM and its member companies believe that the erroneous jurisdictional approach by some lower federal and state courts, as illustrated by this case, could result in the exercise of jurisdiction over non-forum companies, especially foreign companies, who have very insignificant ties to the United States. As a result, the ability of foreign corporations to operate successfully in the United States could be impeded.

I. THE ISSUE PRESENTED IS IMPORTANT AND RECURRING

This case presents an important and recurring issue that arises in many cases where the state and federal courts attempt to assert jurisdiction over foreign corporations. It concerns an alien corporate defendant and an underlying intellectual property dispute that encompasses the substantive law of at least four

foreign nations. The issue is whether a court must, consonant with the due process clause of the Fourteenth Amendment and this Court's decisions in *Burger King Corp. v. Rudzewicz*, 471 U.S. 462 (1985) and *Asahi Metal Industry Co. v. Superior Court*, 480 U.S. 102 (1987), conduct a distinctive two-part inquiry encompassing a minimum contacts analysis and a reasonableness analysis. The reasonableness analysis is particularly important in cases involving foreign entities and issues.

The lower federal and state courts are divided as to whether a separate reasonableness analysis applying the five factors espoused in *Burger King* and *Asahi* is required. Some courts, as illustrated by the court of appeals in this case, do not engage in a separate reasonableness analysis.

This Court in *Asahi* placed special emphasis on the consideration of a dispute's foreign aspects where the case has significant international aspects. The court of appeals failed to consider at all "the procedural and substantive policies of other *nations* whose interests are affected by the assertion of jurisdiction by the [forum] court." *Asahi*, 480 U.S. at 115 (emphasis added).

This issue's importance to foreign corporations cannot be overstated. The lack of uniformity in the law of personal jurisdiction hinders the expectations of foreign businesses. Foreign corporations are understandably placed in a position of uncertainty regarding when they will be subject to the jurisdiction of a United States court. Exactly the same level of contact between a company and a given forum may or may not establish personal jurisdiction depending on whether the forum court conducts a reasonableness analysis and, if it does, what kind of reasonableness inquiry it performs.

Moreover, the failure of some courts to conduct a reasonableness analysis is simply unfair to foreign businesses. A foreign parent company, for example, may be subject to jurisdiction by virtue of very minimal contacts with this country, even if it had been careful, from the outset, about maintaining corporate formalities with its subsidiaries who deal more regularly in the United States.

The result of this case presents a foreign company with potentially unfair, expensive and inconvenient consequences should it choose to visit the United States for a limited purpose related to a foreign dispute.

II. A SEPARATE REASONABLENESS ANALYSIS EMPLOYING THE FIVE FACTORS ARTICULATED IN BURGER KING AND ASAHI IS COMPELLED BY DUE PROCESS

Before the decisions of this Court in *Burger King* and *Asahi* there was a question as to whether the satisfaction of the minimum contacts test, as articulated by *International Shoe Co. v. Washington*, 326 U.S. 310 (1945), was not only a necessary but also a sufficient condition toward establishing personal jurisdiction. Though the Court had suggested that minimum contacts were sufficient to establish personal jurisdiction, this Court's decisions in *Burger King* and *Asahi* show that this is no longer the case.

While the *Burger King* Court indicated that minimum contacts remained the "constitutional touchstone" of the jurisdictional analysis, the Court also indicated that "[o]nce it has been decided that a defendant purposefully established minimum contacts within the forum State, these contacts may be considered in light of other factors to determine whether the assertion of personal jurisdiction would comport with 'fair play and substantial justice.'" 471 U.S. at 476. In *Burger King*, jurisdiction over the non-forum defendant was found to be consistent with the Fourteenth Amendment.

In *Asahi*, eight Justices determined that the exercise of jurisdiction over the foreign defendant would be unreasonable in light of the five factors listed in *Burger King*:

> the burden on the defendant, the interests of the forum State, the plaintiff's interest in obtaining relief, . . . "the interstate judicial system's interest in obtaining the most efficient resolution of controversies; and the shared interest of the

several States in furthering fundamental substantive social policies."

Asahi, 480 U.S. at 113 (quoting *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 292 (1980)). Furthermore, a majority of the Justices in *Asahi* agreed that a separate reasonableness analysis is necessary even where minimum contacts might be present. *See id.* at 116 (Brennan, J., joined by White, Marshall and Blackmun, JJ., concurring in part and concurring in the judgment); *id.* at 121-22 (Stevens, J., joined by White and Blackmun, JJ., concurring in part and concurring in the judgment).

The Eighth Circuit's analysis minimizes certain factors and completely ignores "the interstate judicial system's interest in obtaining the most efficient resolution of controversies," and the "shared interest of the several States in furthering fundamental substantive social policies." These factors are of paramount importance in any case involving a foreign defendant and implicating the substantive and procedural policies of foreign countries.

CONCLUSION

For the foregoing reasons, and for the reasons stated in the petition, certiorari should be granted.

Respectfully submitted

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February 5, 1996

Supreme Court, U.S.
FILED
FEB 15 1996
CLERK

No. 95-1082

IN THE

Supreme Court of the United States

OCTOBER TERM, 1995

Nippon Carbide Industries Co., Inc.,

Petitioner,

v.

Minnesota Mining & Manufacturing Co., Inc.,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Eighth Circuit

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REPLY FOR PETITIONERS

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REPLY FOR PETITIONERS

The opposition confirms, as does the *amicus* brief by the Association of International Automobile Manufacturers, that certiorari should be granted.

1. Respondent argues that the Eighth Circuit's jurisdictional approach is consistent with this Court's decisions in *Burger King v. Rudzewicz*, 471 U.S. 462 (1985) and *Asahi Metal Industry Co. v. Superior Court*, 480 U.S. 102 (1987) which, respondents claim, "did not . . . create a separate reasonableness inquiry to be utilized in determining whether the exercise of personal jurisdiction was appropriate." Opp. 9. In fact, both *Burger King* and *Asahi* engaged in an analysis separate from the minimum contacts analysis couched in the language of reasonableness. *Asahi*, 480 U.S. at 113 ("[T]he determination of the reasonableness of the exercise of jurisdiction in each case will depend on an evaluation of several factors."); *Burger King*, 471 U.S. at 477 ("[Defendant] must present a compelling case that the presence of some other considerations would render jurisdiction unreasonable.").

While the reasonableness analysis ensures that a court's exercise of jurisdiction is consistent with the "traditional notions of fair play and substantial justice," respondent and the Eighth Circuit have failed to recognize what numerous commentators and the majority of lower courts have recognized: that *Burger King* and *Asahi* represented a change in the law of personal jurisdiction. *See, e.g.*, Russell J. Weintraub, *Asahi Sends Personal Jurisdiction Down the Tubes*, 23 Tex. Int'l L.J. 55 (1988); Earl M. Maltz, *Unraveling the Conundrum of the Law of Personal Jurisdiction: A Comment on Asahi Metal Industry Co. v. Superior Court of California*, 1987 Duke L.J. 669. Whereas a finding of minimum contacts in the past would have sufficed for purposes of "fair play and substantial justice," the outcome in *Asahi* illustrates that this is no longer true. *See, e.g., Keeton v. Hustler Magazine, Inc.*, 465 U.S. 770, 778 (1984). It is now plain that courts

must perform a distinct, reasonableness analysis apart from the minimum contacts inquiry.[1]

2. While respondent maintains that the Eighth Circuit follows this Court's decisions in *Burger King* and *Asahi*, respondent admits that the Eighth Circuit applies "its own identified factors" and, in form, does not apply this Court's precedent. Opp. 6, 11, 17.

As respondent recognizes, the Eighth Circuit's current test was established in 1965 and relied on the Supreme Court precedent at that time.[2] The most recent cases from the Eighth Circuit plainly illustrate that this five-part jurisdictional test, which disregards this Court's pronouncements in *Burger King* and *Asahi*, is still the law of the Eighth Circuit. *Northrup King Co. v. Compania Productora Semillas Algodoneras Selectas, S.A.*, 51 F.3d 1383, 1387-88 (8th Cir. 1995); *Bell Paper Box, Inc. v. U.S. Kids, Inc.*, 22 F.3d 816, 819 (8th Cir. 1994); *Gould v. P.T. Krakatau Steel*,

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[1] Contrary to petitioner's assertion (Opp. 10), NCI has not conceded the existence of minimum contacts in this case.

[2] Respondent notes that NCI has cited cases decided prior to this Court's pronouncements in *Asahi* and *Burger King*. Opp. 14 n.5. Indeed, *Thompson v. Ecological Science Corp.*, 421 F.2d 467 (8th Cir. 1970) was cited by NCI to illustrate the fact that the Eighth Circuit's current five-part test pre-dates *Burger King* and *Asahi*; a proposition with which respondent is in full agreement. *Douglas Mach. & Eng'g Co. v. Hyflow Blanking Press Corp.*, 229 N.W.2d 784, 789 (Iowa 1975) was cited in conjunction with *Bic, Inc., Safemark Div. v. Schleisman*, 443 N.W.2d 78, 80 (Iowa Ct. App. 1989) to illustrate that the Eighth Circuit's five-part formulation is still good law in Iowa. The same is true in Wisconsin where the use of the five-part test in *Zerbel v. H. L. Federman & Co.*, 179 N.W.2d 872, 878-79 (Wisc. 1970), *appeal dismissed*, 402 U.S. 902 (1971) remains good jurisdictional law. *See, e.g., Brown v. LaChance*, 477 N.W.2d 296, 303 (Wis. Ct. App. 1991).

957 F.2d 573, 576 (8th Cir.), *cert. denied*, 113 S. Ct. 304 (1992).[3]

3. The Eighth Circuit's five-part jurisdictional test is inconsistent with this Court's reasonableness pronouncements. The Eighth Circuit deems its final two jurisdictional parts, the interests of the forum state and the burdens on the parties, which resemble some of the *Asahi* reasonableness factors, as "secondary." Pet. App. 5a-6a. Indeed, the court in this case did not find it necessary to discuss them, but relegated them to the *forum non conveniens* issue. Pet. App. 8a.

There is no doubt that the Eighth Circuit's approach fails in both form and substance to consider the final two *Burger King* and *Asahi* factors.[4] *Falkirk Mining Co. v. Japan Steel Works, Ltd.*, 906 F.2d 369 (8th Cir. 1990) explicitly recognized that the Eighth Circuit's test did not embody all of the *Asahi* factors. The *Falkirk* court noted that the Eighth Circuit's test did not consider the final two factors: "the interests of the several states in obtaining the efficient resolution of disputes and the advancement

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[3] Respondent argues that NCI did not challenge the Eighth Circuit's jurisdictional approach as inconsistent with *Burger King* and *Asahi* on respondent's appeal from the district court. NCI argued to the Eighth Circuit, in defense of the district court, that the exercise of personal jurisdiction would violate the Fourteenth Amendment and that the unique foreign aspects of this case militated against personal jurisdiction; in view of the Eighth Circuit's longstanding precedent, reaffirmed after *Burger King* and *Asahi*, nothing more is required. *See, e.g., South Dakota v. United States Dep't of Interior*, 69 F.3d 878, 884 (8th Cir. 1995) (one panel may not overrule another).

[4] Respondent maintains that the *Asahi* did not require the application of its final two factors and did not attach independent significance to these two factors. Opp. 8, 20. Respondent's argument would make this Court's mention, discussion, and analysis in *Asahi* of "the interstate judicial system's interest in obtaining the most efficient resolution of controversies; and the shared interest of the several States in furthering fundamental substantive social policies," where an alien defendant is involved, meaningless *dicta*. *Asahi*, 480 U.S. at 113 (citations omitted).

of substantive policies." 906 F.2d at 376. Indeed, as NCI's petition emphasized, a recent Eighth Circuit decision all but limited *Asahi* to its facts. *Barone v. Rich Bros. Interstate Display Fireworks Co.*, 25 F.3d 610, 614 (8th Cir.), *cert. denied sub nom. Hosoya Fireworks Co. v. Barone*, 115 S. Ct. 359 (1994).

4. Respondent concedes that the "majority of the courts of appeals" — the Second, Third, Fourth, Fifth, Tenth, Eleventh and District of Columbia Circuits — have agreed with NCI's supposed "strained interpretation" and utilize the *Burger King* factors in a distinct reasonableness analysis. Opp. 22.

At the same time, respondent argues that the "sliding scale" approaches from the First, Ninth and Sixth Circuits are more consistent with this Court's pronouncement in *Burger King* and that any claim of inconsistency with the pronouncements of this Court is "pure fallacy."[5] Thus, respondent effectively concedes that the courts of appeals are in conflict. It agrees that these approaches "differ in form" (Opp. 27), and that these different approaches lead to different results: "Different courts may disagree with the application of law to facts." Opp. 27.

5. The result in this case is not consistent with *Burger King* and *Asahi*. The court failed to adequately consider the unique burden on NCI, an alien defendant, in defending this case in Minnesota.

Respondent maintains that no nation has interests superior to Minnesota in this case. Respondent does not dispute, however, that this controversy involves the patent laws of four separate

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[5] With regard to the Seventh Circuit, respondent cites only two cases that arguably applied the five reasonableness factors. Respondent ignores three of the five recent Seventh Circuit cases that have failed to inquire into reasonableness. With respect to the other two cases, respondent can only argue that they, though admittedly not inquiring into reasonableness, reached results consistent with *Burger King* and *Asahi* on their facts. Contrary to respondent's assertion, the two-part jurisdictional inquiry is not "alive and well" in the Seventh Circuit. Opp. 27.

countries and will entail the assessment of the parties' rights within the borders of those countries. United States patent laws are not implicated because NCI's allegedly breaching conduct occurred outside the United States. The only contact with the forum that the panel relied on, aside from the contract itself, was NCI's single visit to negotiate the contract.

The panel, in accordance with the Eighth Circuit's approach, did not consider the significant foreign aspects to this case that implicate the substantive policies of other countries. A United States court that determines the rights of parties in other countries under their laws no doubt intrudes on the substantive policies, if not the sovereignty itself, of those foreign nations.[6]

Respondent argues that to deny respondent one forum in which to litigate denies it the benefit of its bargain. There is nothing in the contract at issue, however, that provides for resolution of the disputes arising from that contract in any single forum. Minnesota, moreover, is among the least suitable forums to hear this dispute because both the applicable patent law and the alleged breaching conduct are entirely foreign to Minnesota. There is neither a choice-of-forum nor a choice-of-law provision in the contract. Perhaps the only distinguishing characteristic of Minnesota is that respondent hopes to convince its courts to contravene international norms and entertain foreign patent disputes.[7]

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[6] *See also Guardian Royal Exch. Assurance, Ltd. v. English China Clays, P.L.C.*, 815 S.W.2d 223, 232-33 (Tex. 1991) (applying *Burger King* and *Asahi* factors to defeat jurisdiction despite existence of minimum contacts.); *Lichon v. Aceto Chemical Co.*, 538 N.E.2d 613, 622-23 (Ill. Ct. App. 1989) (despite the existence of minimum contacts, court rejects jurisdiction based upon the burden to the foreign defendant and the forum state's minimal interest in the dispute).

[7] Respondent argues that the Federal Circuit has, in fact, held that the exercise of jurisdiction over a foreign patent is proper. Opp. 21 n.8. *Mars Inc. v. Kabushiki-Kaisha Nippon Conlux*, 24 F.3d 1368, 1374-75 (Fed. Cir. 1994) is simply inapposite. At issue in that case was whether

6. The widespread importance of this case is confirmed by the *amicus* filing by the Association of International Automobile Manufacturers in support of the petition for certiorari. In addition, in view of the importance of this case, it is not surprising that commentators both in this country and abroad have questioned the propriety of the Eighth Circuit's decision and its impact on international business. *See* Carl G. Love, *U.S. Negotiation of Foreign Patent Licenses May Mean a Foreign Corporation Places Itself Within U.S. Court Jurisdiction*, The Law Works, January 1996, at 6 (American intellectual property publication); Neil Rose, *Foreign Companies Threatened By U.S. Ruling*, International Commercial Litigation, November 1995, at 6 (British publication).

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a federal district court could exercise supplemental jurisdiction over a Japanese patent in a case involving a U.S. patent. The court, in fact, rejected the district court's assumption that it had § 1367(a) authority to hear the Japanese patent infringement claim. *Id.* at 1375.

CONCLUSION

For the foregoing reasons, and for the reasons stated in the petition, certiorari should be granted.

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February 15, 1996